

Parliamentary Economists and Social Reform: The Case of the “Japanese” in the Hellenic Parliament (1906–1908)*

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Abstract:

The “Japanese” were a group of seven politicians in the Hellenic Parliament between 1906 and 1908 who stood for the modernization of the state and for social reform, after the imposition of International Financial Control over Greek finances in 1897. Their name was due to Japan’s emergence after the Russo-Japanese War as a modernizing force in global politics. The present paper traces the trajectory of the “Japanese” in Greek politics from their formative years to their final split as a distinctive political group, and discusses their economic views, putting them in the context of economic developments in the country. Emphasis is placed on two politicians, Dimitrios Gounaris and Petros Protopapadakis, because they were prominent in economic policy debates and had clear-cut views on economic policy reform. We investigate their importance for the evolution of economic thought in Greece, the strengths of their arguments, and the reasons for the group’s ultimate failure to exert a lasting influence in Greek politics.

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I Introduction

Recently “the history of the institutional contexts surrounding the discourse on political economy” (Augello and Guidi 2005, xiv) has attracted the attention of historians of economic thought. This research area draws inspiration from historical research on the sociology of the profession of economics. At the core of this field lies the study of the spread of economic science and the dissemination of economic ideas into the sphere of politics. In this respect, the activity of economists and the development of economic debates in Parliament provide considerable material for research.

The purpose of the present paper is to contribute to this field by examining

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the case of the “Japanese,” a group of “parliamentary economists” in the Greek Parliament. The term derives from Frank W. Fetter’s pioneering work (Fetter 1980) and includes those members of Parliament who systematically participated in economic debates linked with economic legislation (12–13).

The team of the “Japanese” came to the foreground at a time when Greek society was in transition. It needed a new generation of politicians with a modern economic policy agenda and a vision for a better future. Existing political leaders until then were more or less stigmatized by the bankruptcy of the Greek state in 1893, the defeat in the 1897 war against the Ottomans, and the imposition of International Financial Control (henceforth IFC) in 1898. These events led to introversion and self-criticism on the politico-economic front.

Although the group was formed and appeared as such in Parliament between October and November 1906, its origins can be traced back to the 1902 national elections. In 1902, Dimitrios Gounaris (1867–1922) and Petros Protopadakis (1859–1922) were elected for the first time to the Hellenic Parliament; before long, the two deputies formed a deep and lasting friendship. Shortly after their election, they gained a reputation for their active parliamentary involvement, gradually attracting a broader circle of deputies around them. The other members of the group were Apostolos Alexandris (1877–1961), Stefanos Dragoumis (1842–1923), Andreas Panayotopoulos (1851–1936), Emmanouel Repoulis (1863–1924), and Charalambos Vozikis (1861–1937). With the exception of Dragoumis and Panayotopoulos, who had entered politics in 1879 and 1885, respectively, all the others were new to the Greek political arena.

They were dubbed the “Japanese” by the senior editorial staff of *Akropolis*—a large-circulation radical-conservative newspaper—on January 25, 1907, describing four members of them as “rising stars” on the Greek political stage. In coming up with the name, *Akropolis*’s editor, Vlassis Gavrielidis (1848–1920), was inspired by the Russo-Japanese War of 1904–1905, which pitted an old and decaying Russia against the rising Japanese Empire.¹ It was also he who gave political substance to this originally loose alliance of deputies, making them widely known in public as a distinctive parliamentary group.

On February 10, 1907, *Akropolis* ran with a front-page banner headline: “The Japanese of Parliament.” The editorial introduced the “Japanese” as a promising team of seven parliamentary politicians. It greeted them as a belated but much-needed reaction to the country’s ongoing economic and political crisis

1 At the turn of the twentieth century, the Japanese victory against the Russians served, on a symbolic level, as a rich source of inspiration for Balkan political groups, then struggling against the Ottoman Empire’s “old regime.” Cf. the case of the Young Turks, who also earned the appellation “Japanese”; see Ahmad (1973, 22–23).

(*Akropolis*, 10 February 1907, 1; cf. Alexandris 1910, 25–27). The IFC had imposed strict austerity in Greek finances, tax revenues were used for the repayment of old loans, and monetary policy was deflationary.

Though this important political fraction has drawn the attention of historians (Ventiris [1931] 1970), many aspects of its story have not been studied in depth, with the possible exception of Nanako Sawayanagi's Ph.D. dissertation (see Sawayanagi 2009). Written from a historian's viewpoint, it traces the group's trajectory in Parliament and politics, using the group to highlight Greece's political scene of the day.

Nevertheless, a considerable gap exists in the relevant literature regarding the historical reconstruction of the team's economic ideas.² Little is known about this team, which is considered the ideological counterbalance to the left-leaning "Sociologists" (Ventiris [1931] 1970, 34–35), who appeared in public life in 1908. The "Sociologists" also acted as a reform-oriented political force, influenced by the economics of the German Historical School and the politics of the British Fabian Society (Psalidopoulos 1999).

The present paper explores the politico-economic agenda of the "Japanese," what they espoused, and mainly what their precise views were on social reform, taxation, and public spending, as well as the reorganization of public administration and, finally, the role of the state toward the end of the "liberal age."³ It is worth noting that the crisis of 1893 in Greece paved the way for new economic ideas and policy reforms that had started to gain ground in Western Europe, particularly in Germany, since the 1870s (Grimmer-Solem 2003). From then on, the principles of economic liberalism—which still prevailed—were gradually in decline, while the supporters of the Historical School, of state interventionism, and of socialism were able to make their voice heard (Schumpeter [1954] 1994, 761–63). We also investigate what the "Japanese" said about the social benefits and costs of migration from Greece to the United States, and what their proposals were for dealing with this problem, which had become a central issue in public debate at that time. Finally, we focus on two of the team's members, Gounaris and Protopapadakis. Three considerations inform this choice: the first is that these two politicians became the founding and leading members of the group. Second, they were considered the group's most prominent economists. Third, to their credit, as we shall see, they forced a set of issues of social reform

2 There are some biographical works, particularly on the lives of Gounaris and Protopapadakis (Mallossis 1926; Economos 1972; Alikaniotis 1983). All of the above works are informative, providing useful facts or ideas, but they pass judgements without evidence.

3 The "liberal age" is defined as the period between the revolutionary events of 1848 and the aftermath of World War I (see Augello and Guidi 2005).

to the very center of the political agenda.

II Economy and Society in Greece at the Turn of the Twentieth Century

The closing decade of the nineteenth century was a period of dramatic change at all levels of Greek society. In December 1893, Prime Minister Charilaos Trikoupis announced that the government was unable to service its foreign debt. Over a span of six years, from 1887 to 1893, the country's external public debt had doubled, from 520 to 1,020 million drachmas. Simultaneously, during this period, the amount of money going toward debt servicing had increased by almost 50 percent (Dertilis 2005, 1046).

Between 1892 and 1893, the market for Corinthian raisins, the country's principal export cash crop at the time, received a blow, as the French Parliament decided to impose a near-prohibitive tariff on raisin imports (Pizanias 1988). The raisin crisis gradually developed into an income crisis for Greek farmers but also into a mortgage and commercial crisis. It undermined a large part of the peasant population, the direct producers, and the merchants of the exporting network, respectively. Working and living conditions for society as a whole, and especially for the peasants, worsened rapidly. In short, public finances were undermined and precipitated an economic downturn. Thus, the Greek state went bankrupt.

Greece's economic situation was negatively influenced by international developments, too. Recession struck France in 1889, and business slackened in Germany and England the following year. Furthermore, the banking house of Baring and Brothers, caught with excessive holdings of Argentine securities in a falling market, failed and shocked international finance at the beginning of the 1890s (Ford 1956).

Undoubtedly, the raisin crisis played a key role in the process of Greek bankruptcy and eventually led to large waves of migration. Migration was originally internal, fueling the ongoing urbanization of Greek society. At the dawn of the twentieth century, however, large-scale migration also took place, as thousands of Greeks sought their fortune abroad, chiefly in the United States. According to the *Official Journal of Parliamentary Debates* (henceforth *OJPD*), 20,000 Greeks left the country between 1885 and 1901 (*OJPD* Supplement 1902, 315).

The IFC's policy of fiscal and monetary austerity produced deflation, which spurred further migration. Between 1897 and 1907, 150,000 Greeks, equal to the population of Athens at that time, left the country (*Akropolis*, 13 April 1907, 1). *Akropolis* (29 May 1907, 1) saw migration as a kind of protest

against the established order. A journalist at this newspaper (17 March 1907, 1) noted that the migration of Greeks to the United States was like the Exodus, the Israelites' journey out of Egypt to the Promised Land, but without a Moses.

Remittances from the United States played an increasingly large role in the economy, contributing to economic growth. However, it was not until 1905 that the economy began to revive. After a period of rapid devaluation (1893–1903), in 1904 the drachma started to revalue in relation to the French franc. Four years later, the drachma and the French franc were at par (Dertilis 2005, 1060).

It is worth emphasizing that the military budget absorbed a significant part of the Greek economy's financial resources in the nineteenth century. On average, military expenditure amounted to nearly 30 percent of Greece's annual budget (Dertilis 2005, 836). During the first decade of the twentieth century, Georgios Theotokis's government reorganized the army through a series of military bills and increased military spending even more (Deputies of Theotokis's Political Party 1911, 34ff). The Eastern Question, namely the future of the crumbling Ottoman Empire, was then entering a new phase and exerted considerable influence over Greek governments' decisions in this period, affecting economic thought and policy in Greece (Psalidopoulos and Mata 2002).

Living conditions deteriorated for the vast majority of people. Discontent and civil unrest were widespread and growing, leading to occasional outbreaks of riots in major cities, particularly in Athens. The proximate cause for these violent outbursts was the language question. Calls for a more purist version of the Greek language reflected society's move in a more conservative direction, under the banner of nationalism (Carabott 1993, 119).

Regardless of these incidents, a new era was dawning, requiring the country to restate its priorities, settle its obligations with its creditors, and at the same time restore production. No political figure or party was then in a position to express the needs and aspirations of Greek citizens as a whole. The two leading political figures who dominated in the 1880s and early 1890s, Charilaos Trikoupis and Theodoros Deliyannis, had lost their political influence on Greek voters.

Shortly after his electoral defeat in 1895, Trikoupis withdrew from the political arena, as he was considered responsible for the bankruptcy of 1893 even by his supporters, as well as much of the daily press. One year later, living in self-imposed exile in Cannes, he died. At the other end of the political spectrum, Deliyannis, who had been blamed for the 1897 war, was assassinated by a gambler disgruntled by the anti-gambling legislation introduced by Deliyannis's government in 1905.

Trikoupis's death and Deliyannis's assassination splintered the once-powerful parties into pieces, leaving a political vacuum in the country's parliamenta-

ry life. The political vacuum in the Trikoupis party leadership was filled by Georgios Theotokis, while Stefanos Dragoumis—the second contender for the position—became independent and later contributed to the formation of the “Japanese.”

In a span of about 11 years, between 1899 and 1910, a total of 12 governments were formed. Throughout these years, the two-party political system kept functioning. Nevertheless, the agricultural crisis and large-scale migration had altered Greece’s social fabric. New politicians with new ideas and economic policy agendas were needed, catering to the interests of the country’s lower and middle classes, and capable of overcoming the contemporary political stalemate.

In early November 1906, the “Japanese” emerged and became increasingly active in Parliament. The group was originally recognized as a third political party, which exerted pressure on Theotokis’s government. Soon enough, it had become the main political group of the opposition.

Throughout the nineteenth century, economic thought in Greece was liberal in the sense that economic liberalism was regarded as a collateral of political liberalism, a maxim demanded from a rigid political system centered on the power of the royal house (Psalidopoulos 2006). Academic economists such as Ioannes Soutsos, Aristides Economos, and others criticized Greek economic policy for not paying due attention to the postulates of classical political economy (Psalidopoulos and Stassinopoulos 2009; Psalidopoulos 1996). Soutsos was the only academic economist holding a full professorship in Greece from 1837 to 1890. Soutsos’s lectures reveal him as a liberal economist who placed great emphasis on institutional reforms needed for the country to enter a sustainable developmental path. Influenced by his Genevan mentor Pellegrino Rossi, he participated actively in public life and wrote articles and pamphlets on issues of economic policy. Without ever becoming a parliamentarian himself, he was often referred to in the speeches of his former students in Parliament.

Both Soutsos and Economos emphasized institution-building and the need to promote property rights and to assist private initiative versus monopoly situations in the economy. Public-finance specialist Ioannes Zografos, a student of K. H. Rau, criticized the country’s biggest bank, the National Bank of Greece, for not supplying credit to the agricultural sector (Zografos 1925–26). Nikolaos Gounarakis, Soutsos’s successor at the University of Athens, also lamented the absence of a government plan to guide the economy (Gounarakis [1895] 1913).

Default in 1893 led to an explosion of studies, books, and pamphlets about the productive sectors of the Greek economy. In this context, many young students of economics introduced in Greece the teachings of the German Historical School, especially Karl Bücher’s stages-of-development theories. Platon Drak-

oulis and Stavros Kallergis introduced socialism and organized the first Labor Day celebration in Greece to honor the working class. Their theories were not revolutionary; they were instead a mixture of humanism and French-inspired socialist rhetoric (Noutsos 1995). Nevertheless, they paved the way for Georgios Skliros, who wrote *Our Social Question* in 1907 and brought historical materialism into Greek discussion (Skliros 1907). Translations of Marxist works, including *The Communist Manifesto*, followed soon thereafter.

The academic who dominated the scene in Greece in the first decade of the twentieth century was Andreas Andreades, a staunch liberal, who nevertheless employed the historical method in his academic endeavors. The historical method became thus very popular in Greece and led many young scholars to Germany, where they studied Staatswissenschaften and pursued doctoral degrees in economics (Andreades 1920; see also Andreades 1939).

The dawn of the twentieth century was a period of pluralism and a search for new economic theories for development and growth for the young generation of economists and politicians.

III Dimitrios Gounaris (1867–1922) : Modernization and Tax System

1. Life, Studies, and Formation of His Thought

Dimitrios Gounaris was born in the city of Patras, in the northeastern Peloponnese, in 1867. Patras was then one of Greece's most important commercial nodes, and its port served as a key gateway for trade and communication with Italy and Western Europe. Gounaris grew up in a prosperous family, enjoying high social and economic status. His father initially ran a textile and clothing business in Argos before moving to Patras and becoming involved in the currant trade.

In 1884, Dimitrios Gounaris enrolled at the University of Athens to study law. At the law school, he attended the economic courses given by Ioannes Soutsos. Gounaris graduated from law school in 1889, receiving a distinction for excellence. In the same year, he left for Germany to continue his studies abroad and studied at several universities. According to one source, he attended courses at the universities of Leipzig, Berlin, Göttingen, and Paris (*Akropolis*, 11 November 1902, 2). In Germany, the work of Friedrich Karl von Savigny and the Historical School of law affected his ideas about law and legislation. Following this school of thought, Gounaris believed that laws were elements of national life. He therefore rejected the notion that laws may be arbitrarily imposed on a country irrespective of its state of civilization and history. From this standpoint, he criticized the Greek legal system dating from the 1830s, the era

of the Bavarian regency in Greece. His acquaintance with the teaching of the German Historical School of economics clearly shaped his views on reforming Greek economy and society.

He returned home abruptly in 1892; his family's financial situation was dealt a serious blow by the Corinthian raisin crisis, which was just beginning in the currant-growing provinces of the country. From then on, and for almost a decade, he practiced law in Patras, where he earned a reputation as a skilled lawyer.

He entered politics in the 1902 elections. On November 17, 1908, he was appointed minister of finance, but three months later, on February 16, 1909, he was forced to resign (Parliamentary Proceedings 1909, session 36, 346–47). Despite his short tenure, he introduced the 1909 draft state budget, along with eight draft laws on taxation. Furthermore, he was the founder and editor of the monthly *Deltion tou Ypourgeiou Oikonomikon* (Bulletin of the Ministry of Finance).

After his resignation, he re-entered politics in 1912 and, at the beginning of 1913, formed his own political party, the Party of the Nationally Minded (Komma ton Ethnikofronon), which was renamed the People's Party in 1920. He was appointed prime minister in 1915 and in 1921, and he played a central role in political developments as the leading opponent of the great liberal Eleftherios Venizelos. Among his major achievements of this period was Law No. 2868/1922, the first substantive legislation on compulsory insurance for workers and private employees in Greece. As the prime minister in 1922, he was held responsible for the debacle of the Asia Minor campaign. For this, he was sentenced to death and executed along with Petros Protopapadakis and four other distinguished politicians and high-ranking members of the Greek army and navy in November 1922.

2. On State Interventionism and Social Reform

Before the national elections of 1902, Gounaris gave an extensive interview to the *Akropolis* (11–13 and 14 November 1902), outlining his political views and policy plans. In this interview, he singled out the political and economic dominance of a “privileged oligarchy” in contemporary Greek society, an oligarchy living off the public purse (11 November 1902, 2). The “privileged oligarchy” had close relations with the country's economic elite. This relation between them “created obstacles to the free distribution of the country's production.” For Gounaris “[the state] was discouraging [production] and was disfavoring any [productive] activity” (2).

The modernization of the state and public administration became central issues in Gounaris's political discourse. In his view, the modernizing process

needed to start with the sphere of justice; the legal system was “grotesque,” leading to tragicomic situations, strongly influenced by local authorities (13 November 1902, 2). It was also a “rusty machine” by modern standards of law (11 November 1902, 2). Greece’s legal institutions had been created by Georg Ludwig von Maurer, a German statesman and historian, in 1832–1833; when King Otto was chosen to take the throne of Greece, Maurer was appointed a member of the council of regency, which was nominated when Otto was still a minor (Maurer [1835] 1976). As a result, the country’s legal system functioned as a “greenhouse” for growing obsolete laws and institutions that were alien to Greek society (11 November 1902, 2).

Educational reform was placed high on Gounaris’s list of priorities for policy reform. In his words, “Education is a key factor in the development of a country’s economy” (13 November 1902, 2). In his opinion, the educational system was designed largely for the needs of the past and not for the future. Generation after generation of pupils in the Kingdom of Greece learned mainly about “the trophies of their ancestors,” but “they would do better to learn how to win their own trophies” (2). He felt that education should be made compulsory and practical, emphasizing technical skills and being pervaded by the spirit of positivism. Vocational and technical schools should be established and correlated with local production. Furthermore, teachers should not be influenced by political clientelism; this was a prerequisite for any educational reform (2).

He also believed in the simplification of the Greek tax system and the imposition of a progressive income tax. For him, the then-current tax system was oriented wholly toward the country’s productive forces, while the unproductive, privileged oligarchy, which was protected by the parties in power, was not paying taxes at all (14 November 1902, 2). In other words, the tax system was designed for the interests of this privileged upper class (2). A fair tax system would not discriminate against any social classes. In addition, taxation should not put obstacles in the way of working people trying to improve production: “[taxation] must not extract the product of labor from the working man, which is essential for him to earn his living” (2). On the contrary, it should allow him to make savings with the intention of providing him with the funds needed to “increase his productivity” (2).

As is known, in Western societies, the imposition of a progressive income tax had found little support among classical economists. In Great Britain—where a general progressive income tax was introduced in 1799—this kind of taxation was abolished and reintroduced many times throughout the nineteenth century (O’Brien 2004, 301). In the 1880s and primarily in the 1890s, British fiscal policy started to adjust to the social needs and demands of that time, emphasizing direct (progressive) taxation. Like Britain, Germany and

France—among other developed European countries—reformed their tax systems, imposing progressive income and inheritance taxes (Webber and Wildavsky 1986, 344). Thus, Gounaris's proposals were in tune with tax discussions and fiscal policy reforms happening abroad at the turn of the century.

In his interview with *Akropolis*, Gounaris also stressed the importance of competitive markets and condemned any kind of monopoly. He was careful to temper his views when referring to the Corinthian raisin crisis and to ongoing migration, which called for some state intervention. But he argued—following the tenets of classical liberalism—that it remained the duty of government to protect private property, especially the ownership of land (14 November 1902, 2).

For the chronic raisin crisis, he believed that the measure of “retention [of surplus raisin production] was then the perfect solution” (2). According to this measure, part of the annual production was withheld as an extra tax—a “retention” tax—of the total exported product and stored in public storehouses. In addition, he proposed that the “Currant Bank”—the publicly financed credit institution that was founded in Patras (1899) and operated, in his view, like a “mutual service fund”—be turned into a real bank, some sort of an agricultural bank, attracting funds and providing low-interest loans to raisin producers. He also proposed that this bank operate without the influence of local authorities (2).

A year later (1903), and despite vehement opposition to retention, he pointed out that economic liberalism existed in pure form only in theory: “It would be ideal, the total absence of the state from any kind of intervention. . . . However, in the current situation, the state has to intervene regardless of how developed a society is” (*OJPD*, 19 March 1903, 849). In the spring of 1903, the Hellenic Parliament was polarized between the advocates of economic liberalism and those of state intervention. Politicians and fervent supporters of the liberal persuasion at that time considered Gounaris an interventionist politician who was trying to introduce into Greece the ideas of socialism, violating the constitutional rules of the country (*OJPD*, 18 March 1903, 832; *OJPD*, 30 March 1903, 1068).

The same polarization was registered on another controversial issue, external migration. From a liberal standpoint, migration was beneficial both for the state and for the migrants themselves. Remittances were assisting the economy and reducing external public debt, and sooner or later, a new upper class would be born abroad (*Akropolis*, 29 March 1894, 1). By contrast, interventionists felt migration was leading to depopulation and the future devastation of the country. Between 1902 and 1907, Gounaris strongly supported this second view, emphasizing the fact that Greek governments had showed no interest in the migration issue. He urged government officials to “develop the state in order to avoid its

depopulation" (*Akropolis*, 21 April 1907, 2). The underdevelopment of the state was reflected partly by the low rate of public expenditures compared to other European and Balkan states: "The public expenditures for public administration, education, justice, and security are very low . . .," and therefore the Greek state could not "breathe in order to survive" (*OJPD*, 20 February 1904, 345–47).

At the dawn of the twentieth century, the "social question" relating to the urbanization and industrialization of Greek society arose. Gounaris stood out as one of the Hellenic Parliament's earliest and most prominent advocates of the rights of labor, ceaselessly asking for better working conditions for Greece's laborers (*OJPD*, 30 September 1914). It is noteworthy that he played a key role in spreading the ideas of the "Labor Union" of Patras, a trade union, at the beginning of his political career (Noutsos 1995, 86, 284). In his speeches, he used to mention Bismarck as a charismatic political leader of the past and the Prussian state as an ideal type of a modern state (*Akropolis*, 14 November 1902, 2).

To conclude, for Gounaris, state interventionism was necessary in order to strengthen production and improve the country's economic efficiency. For his time he was a radical liberal. Most of his policy proposals were close to those of Adolf Wagner and other supporters of a "social kingdom." These elements distinguished him in Parliament and raised his profile in Greek politics. Later, however, when he was drawn close to the inner circle of the country's governing system, he diluted his former ideas and adopted the administrative approach that was favored by the royal house and the governing elite.

3. Vested Interests vs. New Tax Bills

On November 17, 1908, the president of Parliament, Constantinos Koumoundouros, announced a reshuffle of the Theotokis government, which had taken place on June 21. In this reshuffle, and with the intervention of the Crown, Gounaris joined the ruling party as a newly appointed minister of finance.⁴ From his newly acquired position, he introduced the 1909 draft state budget and eight draft laws for upgrading the economic functions of government and reviving the country's beleaguered economy. Among his proposals were the reorganization of customs to reduce smuggling, a new tariff schedule, lower import duties for sugar, higher excise taxes on alcohol (including alcohol used for lighting), higher taxes on gas lighting and electric power, the imposition of a general income tax, including a tax on liquid assets, and the establishment of a School of Public Administration, following the Prussian model (Parliamentary Proceedings 1908, session 4, 15).

⁴ For a detailed account of the Theotokis government reshuffle, see the newspapers *Kairoi* (18 June 1908, 3) and *Akropolis* (14–17 and 21 June 1908, 3).

The tax bills, and chiefly that on alcohol, provoked a storm of criticism. Gounaris's main aim of increasing tax revenue and modernizing the tax system was perfectly in line with the IFC's fiscal policy, but it was met with fierce opposition from the Winemaking Company and its subsidiary, the Privileged Company for the Protection of Production (known as Eniaia). The latter was founded by the Bank of Athens in 1905, a commercial bank, which enjoyed considerable political leverage in society, affecting both the financial and the political situation at the time (Schoenhaerl 2013, 116–18).

It is interesting to note that both Eniaia and, through this company, the Bank of Athens established a kind of monopoly in the raisin trade, a position of clear economic domination, especially in the Peloponnese, as they were the ones who bought the produce from the poor peasants. For politicians of liberal persuasion, the Greek currant traders and producers were “on their knees,” begging the company for the sale of their products (Dragoumis 1905, 39).

The initial capital of the Winemaking Company and Eniaia was 6 million and 20 million drachmas, respectively. In a span of 20 months, the former had a net profit of 2.3 million drachmas, while the latter had a profit of 5 million within a year (*OJPD*, 2 December 1908, 186). By contrast, the revenue from the tax on petroleum had decreased by almost 30 percent between 1904 and 1908 (Syrmaloglou 2007, 245). Alcohol used for lighting and petroleum were in fact complementary goods to some degree. In addition, the Greek government had a monopoly on petroleum, and the revenue from this monopoly was controlled by the IFC for payments on the country's public debt. Thus, despite Gounaris's assertions about alcoholism and social justice, the tax bills on alcohol, gas lighting and electric power were countervailing measures, meaning that they would help increase needed revenues (Syrmaloglou 2007, 240–46).

To sum up, the tax bills were met with fierce opposition from vested interests, whose power in the existing political system was indisputable. Additionally, Prime Minister Georgios Theotokis did not support the tax bills and did not allow their discussion in Parliament. For him, the key issue behind this opposition was the question of direct taxes, that is, the imposition of a general income tax (Parliamentary Proceedings 1909, session 36, 347). As a result, he pressured Gounaris to submit his resignation and not to appear in Parliament to justify this decision. However, when Theotokis himself resigned, he nominated Gounaris as his successor (*Athinai*, 17 February 1909, 1–2), thus elevating him to the highest political position of the country.

IV Petros Protopapadakis (1859–1922): The Economic Logic of Numbers

1. A Modern Businessman

Petros Protopapadakis was born in 1859 on the island of Naxos. He came from a local family of high social status; his grandfather was a member of the clergy, with supervisory duties over the local island society, while his father was a school principal. Protopapadakis spent his childhood in a rather austere family environment that placed great emphasis on education and orthodox Christian doctrine. These religious roots provided an impulse for his passion for astronomy. In his view, astronomy was at the top of the sciences because—through reason and scientific knowledge—they shed light on the celestial bodies, bringing man closer to God (Economos 1972, 18).

After completing high school in Syros (1878), he enrolled at the Philosophy Department of the University of Athens, but before the beginning of the academic year, he moved on to Paris, with the aim of studying astronomy. In order to learn the French language and prepare himself for university, he attended the high school of Saint-Louis in Paris (1879–1881) before moving on to the École Polytechnique, from which he graduated two years later (1883). In 1887, he obtained a diploma in engineering from the École Nationale Supérieure des Mines. His plan was to return to Greece and become involved in the business of mining.

At the end of the nineteenth century, Protopapadakis was already a successful engineer and professor of engineering at the National Technical University of Athens, the Hellenic Army Academy, and the Hellenic Naval Academy. His lifetime achievements and the fortune he had made constituted “the model of the modern businessman,” according to Vlassis Gavrielidis (*Akropolis*, 28 November 1899, 3).

2. Economic Calculus and Politics

Like Gounaris, Protopapadakis started his political career in the 1902 elections. At the beginning of his parliamentary career, his main concern was the local problems of his electoral district. In his speeches, he proposed the reorganization of the emery mine service on Naxos Island and the establishment of a miners’ health insurance fund, providing not only wide-ranging health care but also a pension for all the workers (*OJPD*, 12 May 1903, 531). In addition, he was concerned with the economic management of public works and introduced a draft law on this issue, stressing the responsibilities of engineers who were involved with the infrastructural projects. The same proposals were repeated a

few years later in his monumental economic report, described below.

After a mere five years in the political spotlight, Protopapadakis first distinguished himself as a promising economist in Parliament in 1907. Specifically, on June 5, 1907, he presented—as the chosen representative of the opposition, and a member of the team of the “Japanese”—the 1907 economic report, in which he analyzed and criticized, on an *ad hoc* basis, the government proposal for the annual budget and fiscal policy.

In this 238-page economic report, which made extensive use of quantitative and comparative financial data, Protopapadakis noted the complete absence of budget control statements since the formation of the Greek state. Due to this shortcoming, the economists in Parliament could not compare actual and estimated expenditure (Protopapadakis 1907, 138). There was also no statistical service providing reliable and up-to-date information. For him, “. . . it was impossible for a good law to be passed, and no reform measure could be taken if they were not relying on numbers” (195). But the official state accounts were “a confused mixture of imaginary numbers that have nothing to do with reality” (6). He noted that, according to the Ministry of Finance, the country’s fiscal condition had improved, running a total budget surplus of 6.3 million drachmas in the previous eight years, while—according to his own estimates—it had run a total deficit of 26.4 million drachmas in the same period (6).

Why was there such a difference between these estimates? For Protopapadakis, the answer to this question was associated with the planning of the budget. He urged that the annual budget be separated into three subcategories: (a) the actual income and expenditure accounts, i.e. income, which derived from taxes, monopolies, etc., and all regular expenditure, (b) flow of capital, i.e. income, which derived from loans or expropriations of state property, and payments to principal and interest as well, and (c) clearing accounts, i.e. checks and orders paid into public coffers other than those upon which they were drawn (Protopapadakis 1907, 1). This separation was an essential element in the planning, control, and auditing of the budget.

In his view, most Greek ministers of finance followed the doctrine of the balanced budget in an arbitrary fashion. They postponed reform measures and did not consider the budget as a tool to positively influence the national product. Spending cuts without careful planning and in-depth analysis would hurt the economy (Protopapadakis 1907, 37).

Protopapadakis pointed out that Greece’s military budget was very high compared to that of its Balkan neighbors.⁵ In 1905, the military expenditure

5 For the economic developments in the Balkan countries during this period, see Palairat (1997).

amounted to 26.79 percent of the budget for Greece, 17.96 percent for Romania, 23.71 percent for Bulgaria, and 22.10 percent for Serbia (Protopapadakis 1907, 33). The expenditures for public works were also very high, while public education and health care were badly neglected. The government spending on public works amounted to 4.88 percent of the budget for Greece, 2.09 percent for Romania, 3.83 percent for Bulgaria, and 1.50 percent for Serbia. However, Greek government spending on education was 5.87 percent and on health care 0.24 percent (33). For Romania, spending on education amounted to 9.05 percent and on health care 0.78 percent; for Bulgaria it was 9.26 and 2.73 percent, and for Serbia 6.52 and 2.20 percent, respectively (33).

He also emphasized public health care as a crucial determinant of the country's potential for economic development. In addition, in passages reminiscent of later formulations of the human capital literature, he stressed the importance of education. Through public education, the country's social forces could be further developed (Protopapadakis 1907, 169). Like Gounaris, and influenced by Gerolamo Boccardo, he paid attention to practical education, which would lay emphasis on technical skills (195). This could be done without establishing technical schools, but by reforming the existing educational system (194).

Protopapadakis pointed out how the tax system lay at the root of Greece's long-standing economic woes, not least because of its inordinate reliance on indirect—as opposed on direct—taxation. By his own estimate, 64 percent of state revenues came from indirect taxes, while 22 percent came from direct taxes (Protopapadakis 1907, 8). By contrast, the share of indirect vs. direct taxes was 58 to 29 percent in Romania, 44 to 49 percent in Bulgaria, and 48 to 45 percent in Serbia. Thus, in his view, with the exception of Romania, Greece's Balkan neighbors had established more fair tax systems (10). He proposed changing the relative share of indirect vs. direct taxes in state revenue, drawing more from direct taxation; and he noticed that in the Greek tax system the notion of tax had been misunderstood. There was a basic tax rule that governments followed since the 1880s, that is, “to impose a tax that is more easily collected.” However, stated Protopapadakis, this rule had to be changed as soon as possible (236). According to him, “[the tax] must be imposed chiefly on income and not on consumption” (10), based on the citizens' annual income (7). He recognized that the tax system, and fiscal policy as a whole, was influenced by “micro-political interests,” and this state of affairs had to be changed as well (238).

According to Protopapadakis, for a merely agricultural society like Greece at that time, the current tax system was not the proper one (Protopapadakis 1907, 8). Examining the country's indirect taxes, he asserted that they were imposed primarily on the middle and lower classes (8). The same could be said, in

his view, about taxes levied on imports. In his argumentation, he cited Friedrich Julius Neumann's and Wilhelm Roscher's work (24).

External migration was, for him, “a peaceful revolution” against the government's economic policy. He estimated that 40,000 people would go abroad in 1907 (Protopapadakis 1907, 25).⁶ According to him, it was essential to establish a new Ministry of National Economy, focusing on agriculture, industry, and trade; and in this much-needed “ministry of progress” he wanted to include an organized Statistical Service (194–95). Furthermore, he stressed that salaries in Greece were very low. The average monthly salary in the country was 144 drachmas, while in other poor states, like Romania, it was equivalent to 164 drachmas (82). Using Lord Salisbury's words, he noted that “England's prosperity is the result of the ability and consciousness of its employees” (82). Thus, the Greek government needed to focus on this, appointing well-educated and qualified public employees. In addition, it needed to create a pension system for all; instead, the country's political elite was using its public servants “like a manufacturer who discarded scrap iron” (84).

Largely, the 1907 economic report was a monumental contribution, both in its size and in its scope. It also demonstrated its author's knowledge of economics and his devotion to quantitative data—no doubt in part a product of his studies at the *École Nationale Supérieure des Mines*. In the *École*, the teaching of economic lessons was based more on statistics and quantitative methods and less on theoretical perspectives (Etner 1987; Fourcade 2009). It is therefore fair to say that for Protopapadakis, the “world was ruled by numbers” (see Schabas 1990), and his main contribution in economic thought in Greece was his stress on the importance of quantitative reasoning when arguing about economic issues.

Between 1910 and 1915, Protopapadakis withdrew from politics and public life. He returned to full prominence as a founding member of the People's Party and served initially as minister of finance, later as minister of public procurement, and finally as prime minister and minister of defense in the early 1920s. In March 1922, during the war in Asia Minor (1919–1922), he introduced a draft law, which was passed by a narrow majority of 151 out of 300 votes, mandating a compulsory internal loan. Having decided to pursue the military campaign in Asia Minor further, but having lost all credibility among its allies and foreign creditors, the Greek government could not obtain further external credit. The originality of Protopapadakis's bill lay in the way in which

6 By and large, his estimate turned out to be correct: in 1907, 46,000 people left the country. Compared with the previous year, the number of emigrants almost doubled. See Repoulis (1912, 11).

funds were raised internally. According to the law, every circulating banknote had to be cut in half. The left part was to remain in circulation at half its nominal value, while the rest was exchanged for a mandatory 20-year state bond. The 1922 law was a novel way of raising money and financing the military presence in Asia Minor.

Throughout his remarkable career, Protopapadakis remained faithful to the mathematical approach to economic issues he adopted when he studied in France. He rejected abstract economic reasoning and wanted results based on performance. He can be considered a follower of W. S. Jevons. Protopapadakis also believed that socialist ideas had no practical relevance for Greece (Economos 1972, 123). He rarely mentioned European thinkers in his parliamentary speeches or reports, but when he did, it was invariably to reinforce his argumentation with statistical information and quantitative data (Syrmaloglou 2007, 174).

V Conclusion

At the turn of the twentieth century, a new era dawned, requiring Greece to restate its priorities, settle its obligations with its creditors, and at the same time, restore production. Greek society was in transition and in search of a new generation of politicians with a modern economic policy agenda and a vision for a better future.

The team of the “Japanese” emerged as a reform-oriented opposition political party of seven deputies who criticized the prevalent political stalemate, taking an active role in the Hellenic Parliament between October 1906 and November 1908.

In his monumental work on the Greek political parties, Gunnar Hering ([1992] 2004, 747) placed the “Japanese” in the ideological framework of bourgeois radicalism. With this term, he meant that the group aimed at popular sovereignty, universal male suffrage, equality and political freedom, and above all, “. . . the effectiveness of the political system and mostly the public administration . . . ; it called for radical reforms for the modernization of the state and the society . . .” (747).

The newspaper *Akropolis* gave political substance to this loose alliance of deputies, making them widely known as a distinctive parliamentary group. However, the same newspaper pointed out that this group failed to meet the high hopes it placed in them: the expectations were higher than they could deliver. On April 14, 1907, the newspaper criticized the political stance of the team—regarding a case of blackmail involving political figures—by saying, “. . . do not present yourselves as reformers . . . when you find a two-drachma error

in the annual budget” (*Akropolis*, 14 April 1907, 1). Three months later, it noted that the country’s middle class was suffering economically because of monetary austerity and wondered: “What are the immortal ‘Japanese’ doing?” and “when are they going to form a serious, organized leading party?” According to *Akropolis*, their “infancy was over,” and the Greek people would fervently support a “Reformative or Revolutionary ‘Japanese’ League” (*Akropolis*, 5 and 6 May 1907, 1). The newspaper believed the “Japanese” needed to open up and talk to people about their ideas, and take action to implement them. According to *Akropolis*, they should have followed the example of Chamberlain, who fought to make his proposed tariff reform a reality, inside but primarily outside the British Parliament (*Akropolis*, 5 and 7 June 1907, 1).

In a strong political system of “crowned democracy,” in which the crown tended to intervene in politics, the team of the “Japanese” did not manage to build a network of political allies and simply abandoned their declarations and ideas once they were assimilated in the high echelons of power. As Dragoumis put it on November 12, 1908 (Parliamentary Proceedings 1908, session 1, 4), the team deliberately tried to avoid any collaboration with the other political parties or groups. This stance, which some commentators describe as elitist (Sawayanagi 2009, 321), prevented additional deputies from joining the team of the “Japanese.” In short, the team failed to transform itself from a loose political alliance into a party with a clear focus and a genuine bid to seize power and set the country on course toward a viable future. It failed to win support for the economic ideas Gounaris and Protopapadakis espoused.

Gounaris’s appointment as minister of finance in the 1908 government reshuffle also contributed to the final dissolution of the team. On the one hand, this made him widely known, but on the other, when he returned to power as a party leader, he did not do much against vested economic interests. The case of Gounaris’s tax bills demonstrates that the Greek state was unable to cope with the powerful interests, confirming Dragoumis’s words (1905, 39): “Where stockbrokers dominate, people who are in need of funds are enslaved, but the state is enslaved too.”

Protopapadakis’s report also points out the chronic country’s fiscal problems and the need for economic and social reform as well. His economic calculus, influenced by his studies in the *École Nationale Supérieure des Mines*, shows that, as an economist in Parliament, he was mostly a pragmatist and apparently familiar with the business of governing. He focused mainly on how the government and economy of the country should be run and especially how public finances should be managed. However, what became his legacy was his use of numbers in economic reasoning, picked up by other Greek economists.

One could say, by way of conclusion, that after the Meiji restoration, Japan

opened itself to Western ideas and carefully mixed tradition with modernity. Successive Japanese governments remained committed to this line of policy and led the country to growth and political power. The world saw Japan defeat Russia in 1905 and understood that Japan would lead the East Asian economy in the twentieth century. In Greece, a prominent journalist labeled a group of politicians the “Japanese,” because initially they seemed to favor radical reforms and the modernization of the political system while respecting tradition in the form of the crown. Reality proved that, like so many other politicians, the (Greek) “Japanese” forgot their initial plans in the process. Whereas the “Sociologists” remained faithful to their left-wing, labor-favoring agenda, the “Japanese” compromised their political agenda in the hope of advancing their political careers. Their legacy, however, remains important for understanding Greek political and economic life in these difficult times.

(Adamantios Syrmaloglou: Panteion University)

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