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## THE FIRST GREEK MODERNIZER: JUST HOW MUCH OF A MODERNIZER WAS HE? THE CHARILAOS TRIKOUPIS CASE

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*This article presents the case of Charilaos Trikoupis, who is considered to have been the first to modernize the Greek economy. The argument here, based on a review of the daily press and parliamentary proceedings of his time, is that Trikoupis' development plan was, apart from its modernism, also based on a grand delusion. Trikoupis was a political conquistador in his undertaking of bridging a path of capital between the advanced Occident and Greece. While it became apparent that the strategy he had developed had begun heading towards a profound dead-end, he never actually revised it, although he should have. The focus of this article is not to deny Trikoupis' role as a modernizer, but re-evaluate and refine it.*

### **Introduction**

Charilaos Trikoupis (Figure 1) was a politician at the forefront of Greek political affairs during the last quarter of the nineteenth century, namely the first period of the Greek *Belle Époque*. He is regarded as one of the greatest Greek politicians of the modern age. He was the founder and the leader of the modernist party and served as prime minister seven times. Next to this role as the head of government, he also served as the minister of finance. His contemporaries bestowed upon him the nickname “The Greek Gladstone” (Lyntia Tricha 2016, 17, 116-117), referring to his British influences, both in his personal and political identities (ibid., 34-35). John Mavrogordato (1931, 69) said that, “he admired England not sentimentally, as a legendary figure of Liberalism and Democracy, but

realistically as a naval and industrial power.” According to Nikolaos Alivizatos (2015), as prime minister, Trikoupis aimed to replicate the British economic model of the 1860s. The implementation of this strategy was to be expected as Michalis Psalidopoulos and Nicholas Theocarakis (2011) explain, since Greece, like most Balkan countries that became independent in the nineteenth century with the exception of Romania, had never had its own unique approach to economic policy.

At the beginning of the twenty-first century, Lefteris Tsoulfidis (2003, 204) characterized Trikoupis’ economic profile as “Keynesian”, linking him with another major Englishman. Nonetheless, the description that is most commonly ascribed to him, that of the “first Greek modernizer”, is not without foundation given that he dominated when economic modernism had just emerged as a global trend developed out of the marginal revolution and the global spread of the neoclassical paradigm (Scott Meikle 1995, 174).

The objective of this article is to reconsider the fixed and oversimplified image of a major European politician who is still considered the herald of Greek economic modernism. While the analysis focuses on Trikoupis, I will indirectly exonerate his major political rivals’ reputation by challenging the overgeneralized belief that they were but demagogues responsible for placing obstacles on the “*trikoupean*” highway towards economic development. “He impeded the process of modernization inaugurated by Trikoupis”, is the conclusion George Alogoskoufis and Sophia Lazaretou (2002, 82) arrive at when judging his major rival, Theodoros Diligiannis (Figure 2).

The analysis comprises four sections. In the first part, I introduce the subject and present the historical conditions of his time, setting the foundations for this study. This is followed by the section titled “Disagreements and convergences” where I highlight the differences and the overlap, if any, between Trikoupis, the so-called modernizer, and the “old school”. Next I retrace the path towards the 1893 sovereign default identifying the actions and oversights that led to it. In the conclusion, I evaluate the economic profile of the first Greek modernizer. This article contributes to the literature in its re-examination of important historical figures who do not always accurately fit the way they have been portrayed historically.

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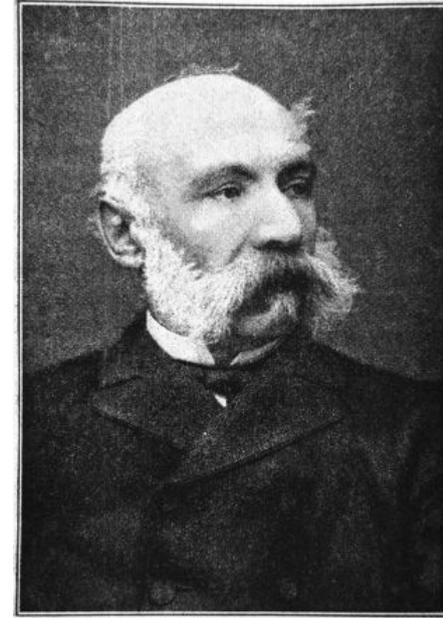
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*Source:*

[https://commons.wikimedia.org/wiki/File:Charilaos\\_Trikoupis.JPG](https://commons.wikimedia.org/wiki/File:Charilaos_Trikoupis.JPG)

**Figure 1**

Charilaos Trikoupis, 1882



*Source:*

[https://commons.wikimedia.org/wiki/File:Theodoros\\_Diligiannis\\_\(1896\).jpg](https://commons.wikimedia.org/wiki/File:Theodoros_Diligiannis_(1896).jpg)

**Figure 2**

Theodoros Diligiannis, 1896

### **The person and the historical context**

Before I map out the main arguments, I discuss the focal point of this article, namely the title. The first recorded use of the term “modernity” in the Greek vocabulary in 1896 was ironically the year Trikoupis died, with the approximate terms “neorganosis” (modernization) and “neotropos” (modernizer) appearing in 1888 and 1894 respectively. In 1874, the economic journal *Oikonomiki Epitheorissis* introduced the word “industry” (Giorgos Dertilis 2014, 488-493). The enrichment of the Greek language with these verbal loans signified the dawn of a progressive transition: ideological, materialistic and institutional. The flow of capital and the new lifestyle emerged simultaneously. As will become apparent, the beginnings of Greek modernity and the “trikoupean era” intersect historically. Therefore, if Trikoupis is considered to have been a modernizer, then he would have been the first one.

The next step is to define modernization. The *Encyclopedia Britannica* etymologizes the term the way Max Weber or Talcott Parsons did, as the transformation from a traditional, rural, agrarian society to a secular, urban, industrial one.<sup>1</sup> For the purposes of this article, we can understand modernization as the positive and capital-intensive effort poor countries, and more precisely Greece, made to accelerate their pace of growth in order to catch up with the leading economies. Dianne Kendall (1998, 11) associates the concept with urbanization and industrialization.

Based on these definitions, it is useful to present some facts that illustrate that the Greek economy was indeed passing through modernization’s doorways at that time. As far as urbanization is concerned, the population of Athens almost doubled from 65,500 in 1879 to 123,000 in 1896 (Dertilis 1988, 208-209). Considerable concentration could also be found in other major cities: Piraeus, Patras, Volos, Larisa. Along with the urban population, the number of factories increased as well, from 129 in 1876 to 208 in 1893 (Dertilis 1977, 246-254). Next to these advancements, we should keep in mind the opposite dynamics: the transplantation of modern institutions became a flawed process given that Greece was still tied to its agricultural and pre-modern roots (Dimitris Sotiropoulos 2001). The Greek model of development did not follow the

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<sup>1</sup> <https://www.britannica.com/topic/modernization>.

accepted/classical standards; it was more relevant to what Shmuel Eisenstadt (2000) defines as “multiple modernities”.

Let us focus now on the economic policies of the subject of this study. The “*Trikoupis era*” opened in 1880, immediately after a settlement of past loans between the Greek state and its foreign creditors. Given the lack of domestic capital, and in order to build railroads or arm the country, Trikoupis was forced to seek financing from international sources. The 1879 reopening of the international capital markets that had essentially been closed to Greece was a perfect coincidence. The capital inflows made the Greek economy “feel” richer and allowed it to spend well beyond its capabilities, by using credit as a mechanism of an everlasting refinancing: the so-called “*trikoupean economic combinations*”. Excessive borrowing, fiscal deficits and stagflation in a non-convertible currency regime characterized the first part of this period. After a decade in power, the public debt-to-GDP ratio was well above 100 percent (Carmen Reinhart and Christoph Trebesch 2015, 312-313). In 1893, a sovereign default finally occurred, after which an unsuccessful five-year debt negotiation began. By the time the International Financial Control (IFC) was finally imposed (1898) to supervise the public finances, Trikoupis was dead (1896).

Economic historians have questioned the investment aspect of the foreign loans signed during the “*trikoupean*” period. According to the related literature (Angelos Angelopoulos 1937; Anargyros Simopoulos 1888; Nicolas Spulber 1966; Nikos Svoronos 1972), the modernization of the Greek economy was a pretext; the real but concealed reason for the excessive borrowing was the funding of both public expenditures and government consumption. As Simopoulos (1888, 65) argued, the fact that administrative costs and public debt consistently shared the same rate of growth reveals the pseudo-investment character of those loans. In the same vein, according to Svoronos (1972, 102), an enormous portion of the foreign funds was appropriated to support the Greek banking system and to repay domestic loans. Dertilis (2014, 711-712) estimates the total value of foreign capital in the Greek secondary production sector (including quarries and mines) at less than 30 million drachmas (in 1896), with investments in government bonds (in 1898) at 700 million. Hence, he

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supports the argument that the lion's share of imported capital was never really directed to public investment that could boost economic growth.

Over-indebtedness due to non-investment spending was an epiphenomenon that characterized all Balkan economies (Angelopoulos 1937; Spulber 1966, 24, 67-68, 72) as well as those in Latin America (Graciela Laura Karminsky and Pablo Vega-García 2016), occurring as a global trend alongside the Long Depression (1873-1896), when international capital flew out of developed economies in pursuit of higher returns. The expansionary policy implemented was a symptom, a historical necessity towards transition for most peripheral economies, inspired by the German economic miracle. Louis Galambos (2018) concludes that changes in the public sector are not sufficient to guarantee a successful economic transition, as has been proven historically by peripheral economies which tried to modernize by imitating the first industrializers. Two additional factors are crucial: a) a dynamic, locally-oriented commercial sector, and b) a broadly-based entrepreneurial search process and sustaining culture. So, the full responsibility for Greece's over-indebtedness may not be imputed to any one particular person. The Greek newspaper *Acropolis* evaluated the process of modernization in 1890:

All states of the world [...] have surprisingly increased their budgets in the last 15-20 years. For a phenomenon to be so widespread means that there must be a universal law imposing it. There are thousands of needs now [...]. They must rush to get civilized [...] otherwise the others will swallow them.<sup>2</sup>

For the modernist block, Greece stood at a crossroads: if it did not join the international system, it was threatened with isolation.

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<sup>2</sup> Greek Parliament Newspapers Catalogue [Hereafter GPNC], “*Ο Γρανίτης*”, (translated: “*The Granite*”), *Acropolis* [Athens], February 11, 1890, p. 1. Print (in Greek). <https://library.parliament.gr/Portals/6/pdf/digitalmicrofilms.pdf>.

The explanation of non-investment spending overlooks the fact that at the time Greek public administration was still in its infancy. There were costs that gave the delusive impression of government consumption, although they may not be considered as such. The need to build a basic infrastructure was real. In the early stages of his hegemony, Trikoupis invited Pierart to modernize the postal service, in order to meet Belgian standards, Stevens to improve the penitentiary system, and the French engineers Gotteland, Quellenec and Rondel to construct public works. The idealization of development captured the attention of Greeks.

Adolph Wagner explains that there are times when the public sector's expansion coincides with overall progress, leading to an increase in government spending (Chisholm 1911, 235). According to Hermann Gross (1980, 43-46), international capital accelerated the growth of the inferior economies that absorbed it.

Diligiannis (1884) recognizes the organizational frenzy, not of course to applaud the work done, but to highlight the cost: "He organizes offices and departments; [...] he invites organizers from all over Europe to make the country an exemplary kingdom."

In his state-building strategy designed to modernize Greece, Trikoupis' results were manifestly disproportionate: the major areas of education (Alexis Dimaras 2000, 412) and healthcare (Tricha 2000, 392) were not amongst his priorities.

According to Xenophon Zolotas (1931, 21), both Trikoupis and his dedicated followers laid the foundations to bridge an existing development gap. In the same vein, Psalidopoulos (1996, 155) says "*trikoupeans*" were those who decided to implement modern ideas with the aim of renovating, not just repairing, the obsolete Greek economy. As I will show, various political shenanigans and economic misjudgements held back the full extent of this push for development.

Despite shortcomings, the openness of international capital markets to Greece led to unsurprising booms in both private consumption and investment. During the "*trikoupean*" period, public investment accounted for 5.8 percent of annual public spending, a considerable increase compared to the previous decade's 0.7 percent (Kostas Kostis 2006, 305).

The need for investments in infrastructure was even more imperative when the geographical borders were extended and new territories had to

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be absorbed, as happened in 1881. In order to incorporate Thessaly and part of Epirus into the Greek state, many reforms and changes were needed. The fact that public expenditure, as depicted in the government budgets (1878-9 and 1880-1), almost doubled during this process reveals the size of the commitment the Greek state undertook, since it managed to persuade (Andreas Andreàdès 1924, 368-369, 380) the Great Powers about its capability to modernize an Ottoman region; and succeeded to a degree (Aggeliki Sfika-Theodosiou 1988).

*Acropolis* juxtaposes the two opposing approaches of the “*trikoupean*” and the “*diligiannean*”, giving credit to the first:

Within this context, the men of the old system, Mr. Diligiannis and his school, wish to hold Greece back at the 40 million pole (expenses). That is why they were overturned and that is why the others, who told the people: “To live, you have to work and pay”, beat them.<sup>3</sup>

The critique of Diligiannis’ approach reminds us of the case of “the economist’s duck”, a nineteenth century theatrical allegory condemning both austerity principles and deceitful economic policies (Psalidopoulos and Theocarakis 2015).

Diligiannis advised moderation in monetary policy, as well. More precisely, at the prospect of the failed (as proven) return to the Gold Standard (1885), he proposed the successful example of Italy as a cautious model to be followed.<sup>4</sup> Two years of austerity, instead of unconditional borrowing, was a strategy also suggested by Pavlos Kalligas, in 1882, in order to reduce budget deficits (Greek Parliamentary Papers, 1882a).

“Even if a policy was not wholly successful [...] it would be an improvement on the policy of sitting quietly”, John Maynard Keynes (1971, 35) warned. Weber (1970, 128) would have concurred, defining leadership as the active rather than passive mediation of fate. Instead of

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<sup>3</sup> Ibid.

<sup>4</sup> GPNC, “*Η Μετά του Δηλιγιάννη Συνέντευξή μας*”, (translated: “*Diligiannis’ Interview*”), *Acropolis* [Athens], September 19, 1884, pp. 1-2. Print (in Greek).

fleeing from reality, a leader must be sizing up “the world as it really is in its daily routine”, he says. Both seem to legitimize “*trikoupean*” dynamism. Diligiannis, on the other hand, never applied any countermeasures in tackling the adventurist “*trikoupean*” development project, although he unceasingly promised to do so; each time he was elected to office, his economic policies were unchanged. He bought time for no reason.

Before we proceed further, it is helpful to pose the following question: “Could Trikoupis have implemented the same policy if he had not been governing during an era of capital abundance?” The answer is no. Prior to 1879, he had already served two short-term premierships during which his developmental tendencies were not implemented. The same thing happened after 1890, when inflows of international capital ceased due to the Baring crisis and lenders began claiming repayment. In the course of these last two premierships (1892-3 and 1893-5), he failed both to avoid the default and to come to an agreement with Greece’s creditors. He proved himself to be less influential before (1879) and after (1890) the international borrowing period. Thus, the crucial parameter of perfect timing becomes apparent. Trikoupis had an advantage his predecessors and successors did not have: access to external capital for almost a decade which helped finance his development plan.

While many of the reforms and developments characterizing the Greek path towards economic modernization have been attributed exclusively to Trikoupis, they were in fact his predecessor’s and successor’s initiatives. Former prime minister Alexandros Koumoundouros had settled past loans reconnecting Greece with international capital, approved the construction of the Corinth Canal and accomplished the annexation agreement of the fertile land of Thessaly and part of Epirus to the Greek state. Trikoupis’ successor, Georgios Theotokis, a low-profile politician who Greek historians have largely neglected to study, followed through with major “*trikoupean*” projects (e.g. organized the army, expanded railways, and achieved the one-to-one parity with the franc). Theotokis integrated the “*trikoupean*” remains, governing during the intensively disinflationary first decade of the twentieth century, a period of consolidating public finances, under the surveillance of the IFC, which established an economic adjustment

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program in order to guarantee private creditors' repayment after the 1893 default. Kostis (2013, 518-525) claims that the first decade of the twentieth century was a vindication of the "*trikoupean*" plan by his successor, assigning to Theotokis a very positive role; while Anastasios Eliadakis (2003, 237) perceives the same period as "mortgaged" because of "*trikoupean*" overload borrowing. From the above, we may detect an invisible thread connecting (at least) these three politicians and their actions with the endeavor of the "*trikoupean*" modernization.

Despite the fact that political historiography considers the last quarter of the nineteenth century as "*trikoupean*"—a term that is used here as well—no party in power succeeded in remaining in office at a subsequent election; every single one failed to meet its supporters' expectations (Gunnar Hering 2004, 612). More than this, the opposition invariably made a staggering comeback by a large majority. This shows the lack of solid ideological boundaries between the two dominant parties: Charilaos Trikoupis' "modern" party and Theodoros Diligiannis' "traditional" one. According to Trikoupis, the hidden reason behind this switching was political opportunism:

There were parties claiming that their only guiding principle was the direct objection to whatever the opposing party was doing. In this regard, it is impossible not to have periodic economic overturns, since it is impossible not to have changes in government. (Greek Parliamentary Papers, 1892)

But, why did the country's finances worsen after every single governmental switch? Did Greece oscillate between "*trikoupean*" modernism and "*diligiannean*" traditional conservatism? Not really. These deteriorations occurred because of the extreme makeover that the entire administration would undergo after each election, given that the political changes did not entail the simple replacement of the party in power, but extended recruitments of supporters as a form of patronage. Voting therefore had both ideological and distributive dimensions; it was an "economic/client act". London *Times* editor-in-chief, Mackenzie, wrote:

After every ministerial change, two-thirds of all civil servants are expelled forthwith, because they do not belong to the victorious faction, their empty seats are then occupied by the opposition's placemen [...]. Under such conditions, it becomes impossible to educate a respectable and expedient administration.<sup>5</sup>

Political affiliation and not merit was the criterion for holding a position as a civil servant. Studies in public administration and the civil service confirm Mackenzie's view. After studying the *Government Gazette*, Konstantinos Tsoukalas (1991, 221) concluded that the discretionary replacement of the entire administration was a set process lasting approximately three years. In attempting to justify the necessity of his well-considered and long-planned administration reform, Trikoupis made use of the liberal argument of prioritizing ideas over personal interests, advocating: "We are proposing the expansion of the constituency by making representatives rather independent of their constituents, making the election more relevant to the idea than to the person ..." (Greek Parliamentary Papers, 1886).

Thus, in theory, he opposed the old-fashioned phenomenon of clientelism by proposing a legal-rational dominance compatible with the modern and well-organized European state he thought he was building, one that would infuse Greek society with institutionalism and lawfulness. His modernization endeavor though was the perfect ideological excuse to sustain politically profitable public spending. He took full advantage of the sense of optimism and the easing of monetary and fiscal policies. With his excessive borrowing, inability or reluctance to recalibrate fiscal policy and failure to achieve the currency's convertibility, he himself fostered clientelism in an indirect way through increased aggregate demand and job creation. He also did it directly: according to Sfika-Theodosiou (1988), although he presented himself as an ambassador of a modern spirit, he canceled his predecessor's appointments during the process of the new regions' annexation in 1881, appointing his political supporters instead.

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<sup>5</sup> GPNC, "Ο Αρχισυντάκτης του "Χρόνου" Περί των εν Ελλάδι", (translated: "The Times editor-in chief, about Greece"), *Paligenesia* [Athens], March 25, 1892, p. 1. Print (in Greek).

As argued by the domestic liberal school of thought, Trikoupis and his followers were guilty of unsound financing of the state (Psalidopoulos 1996, 154-155). In the 1907 budget debate, Nikolaos Stratos discredited the economic ethos of parliamentary economists by presenting a historical analysis of public investments in infrastructure. He proved that Greek governments had intentionally misrepresented the real costs of the contracts so as to gain approval for investments, by making them more “marketable” to public opinion. During execution, however, the hidden costs were revealed, but by then it was too late; the expenses of the works, already in progress, were unavoidable, unless the projects were to remain undelivered.<sup>6</sup> His accusations of lack of transparency implicitly targeted Trikoupis.

As the belated projects of the hard infrastructure push finally delivered, a sense of disillusion remained. The Corinth Canal failed to attract the level of traffic expected (Richard Johnson 1920, 99-102), the railways proved dysfunctional (Lefteris Papagiannakis 1982) and the road network constructed was as good as the English one was in 1750, according to the English ambassador (*British Parliament Papers* 1895/6).

### **Disagreements and convergences**

Perusal of the daily press and parliamentary records of that period reveals that the economic issue was, in parallel with the irredentist project of the “Great Idea”, the most prevalent concern in Greek public opinion. The fact, however, that the nationalist vision had gained unanimity elevated economic policy to the predominant preoccupation of political discourse (Ioannis Papanagiotou 2018, 161-173).

While the two parties disagreed on every single aspect of economic policy, significant convergences can be detected, not in words but in actions, especially towards 1893 and beyond. Hering (2004, 612) attributes the perceived, post-default lessening of ideological differences to the empty treasury and the suffocating presence of the IFC. One could conclude that the pre-default differences in the political debate were associated with the control over the treasury, a phenomenon quite similar

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<sup>6</sup> GPNC, “[...] Τα Δημόσια Έργα”, (translated: “[...] *The Public Works*”), *Estia* [Athens], April 29, 1907, p. 3. Print (in Greek).

to the recent political debate (2010-19) in the aftermath of the sovereign debt crisis. The truth is that Trikoupis admitted to the Greek parliament (Greek Parliamentary Papers, 1884) that his intention was to prevent his opponents from deviating from his economic model (which they did not embrace) even if they succeeded in taking back parliamentary control which entailed control over the treasury. In response to his death, the newspaper *Neos Aristofanis* acknowledged: “[...] no matter who is going to govern he has no alternative but to follow the ‘*trikoupean*’ pathway.”<sup>7</sup> By selfishly promulgating his desire to bind the opposition to his modern model in 1884, Trikoupis eventually chained himself to it as well. The transferring of political responsibility has been criticized by Weber (1970, 95): “The honour of the political leader, of the leading statesman [...] lies precisely in an exclusive personal responsibility for what he does, a responsibility he cannot and must not reject or transfer.”

“It's the same”, former minister and prominent economist, Sotirios Sotiropoulos, said about the 1891 “*diligiannean*” budget and continued allegorically, “as when a doctor claims that the treatment being administered is going to kill the patient, but he himself continues the same treatment once he takes over.”<sup>8</sup> Even the medical reference is reminiscent of the post-2010 propaganda and rhetoric of the TINA (There Is No Alternative) arguments about the blessings of “Troika” and the austerity programs.

After Trikoupis’ death, the newspaper *ASTY* reviewed Diligiannis’ budget for 1897:

It is unchanged [...] the typical and well-known Trikoupis’ budget, while it will no longer be introduced by him [...] it will be submitted by Diligiannis who, for fifteen years, did not cease in conducting the

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<sup>7</sup> GPNC, “*Untitled*”, *Neos Aristofanis*, [Athens], April 5, 1896. Print (in Greek).

<sup>8</sup> GPNC, “*Βουλή. Συνεδρίασις της 5<sup>ης</sup> Μαρτίου 1891*”, (translated: “*Parliament. Sitting in 5<sup>th</sup> March 1891*”), *Efimeris* [Athens], March 6, 1891, p. 3. Print (in Greek).

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most intense and demagogic fight, never missing the chance to proclaim that he was aiming for its overturning.<sup>9</sup>

Despite their declared discordance, the economic overlap between the “modernist” (Trikoupis) and the “conservative” (Diligiannis), on both sides of the default (pre- and post-), indicate that the real economic dynamics were presumably more important than their individual initiatives and intentions. Lambros Koromilas attributed the never-ending discord in part to a disorganized administration:

[...] It is not the political nor the personal competition alone [...] but also the lack of sufficient data to accurately assess our financial management [...]. Until a few weeks ago, we did not know what we had paid nor how much we owe. (*Acropolis*, February 23, 1894, Appendix)

In 1891, the “*diligiannean*” minister of finance, Konstantinos Karapanos (1894, vol. II, 3-4) said that he found the General Accounting Office “in an absolute chaos [...] the Public Debt department in perfect inexistence [...] there were no financial records (loans) [...] only personal notes.” In 1907, Petros Protopapadakis concluded that the official data were “imaginary numbers [...] having no connection to reality.”<sup>10</sup> The cost of the army’s mobilization during the 1885 East Rumelia crisis that led to the naval blockade of Greece in 1886 is indicative of this problem.<sup>11</sup> According to Diligiannis, the cost amounted to 52 million drachmas, while Trikoupis’ estimate was closer to 78 million, with the deficits at 95 million and 128 million for 1885 and 1886 respectively (Eliadakis 2003, 138). This example should not be taken to imply that convergence in numbers would be sufficient to guarantee agreement; economic policy was

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<sup>9</sup> GPNC, “*Ο Προϋπολογισμός του 1897*”, (translated: “*The 1897 Budget*”), *Asty* [Athens], November 13, 1896, p. 1. Print (in Greek).

<sup>10</sup> GPNC, “*Η Έκθεσις Της Μειοψηφίας. Τα Καιριότερα Σημεία*”, (translated: “*Minority’s Report. The Crucial Points*”) *Estia* [Athens], May 25, 1907, p. 1.

<sup>11</sup> On May 8, 1886, the Great Powers with the exception of France intervened and ordered their fleets to blockade the Greek coasts to put pressure on the government.

primarily a matter of interpretation, as Andreadès, a prominent academic economist, explained (1924, 367):

The administrators and the parliamentary speakers proved to be masterful in designing and interpreting public accounts in accordance with their political positions; the independent researcher finds himself faced with difficult puzzles every step of the way.

Emmanouel Repoulis supported the same argument (Greek Parliamentary Papers, 1908). From 1880 onwards, Trikoupis began pointing out that the budget must be perceived as a vote of confidence, a point of agreement. In this way, he was strategically redistributing political responsibility to every single assembly. This suggestion could be considered politically brave and honest if, and only if, budgets were implemented without substantial deviations and inaccuracies, something that never did happen. Until the imposition of the IFC in 1898, all budgets promised surpluses but ended up in deficits. As a result, assemblies would approve or vote down weakly calculated expectations which progressively undermined their credibility. As Theofanis Pakos and Evangelos Prontzas (2011, 5) mention, the planning of the pre-default budgets throughout the “*trikoupean*” hegemony (1880-1895) gave the impression that instead of relying on revenues and allocating them to expenditures, they did the opposite, taking the needs as inelastic and searching for the money to cover them. According to Vasiliki Delegou (2009), the imposition of the IFC succeeded in the task of a balanced budget which despite being a cliché for every single political leader of the pre-default era, had remained unattained until then. Focusing on the post-Control years and up to World War One, she observed (2009, 330) that the budget was adjusted to meet the needs of the IFC (balance). In accordance with that, the political character of parliamentary debates was decreasing and technical issues were becoming increasingly important.

In addition to all of the above, we should keep in mind that the last quarter of the nineteenth century in Greece was a period during which the professional economist had just started to emerge. Until then, the vocation of an “economist” was an unregulated craft that one could mostly master through learning by doing as a public servant, according to Psalidopoulos

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and Theocarakis (2015, 955). This was what all Greek statesmen did, Trikoupis included. The premature osmosis between science and practice, politics and political economy distorted the economic debate even further.

Beyond the debate concerning government budgets, there was significant overlap in economic policy between the two major parties. In this article I will focus on taxation, which was the epicenter of Diligiannis' long-standing criticism against his opponent, and the main cause of the first extensive interruption to Trikoupis' premiership.

From the time when international capital was again accessible (1879) and until the sovereign default (1893), debt service costs multiplied from 5 to 27 drachmas per capita, according to Dertilis (2005, 1042-1050). Dimitrios Georgiadès (1893, 47) estimated that the public debt per head had doubled within a decade, from 163 drachmas in 1882 to 363 drachmas in 1893. To meet public sector indebtedness, Trikoupis increased the tax burden for the urban middle class whilst ignoring farmers and the economic elite (Tricha 2016, 160). Income and property taxes would not be imposed for decades, confirming the elastic and unofficial bonds connecting the state and the citizens. In 1911, Prime Minister Eleftherios Venizelos tried to do so, with poor results.

Andreadès (1924, 40, note 2) asserted that before 1910 the widely prevailing view was that “direct taxes were paid either by the fool or the supporters of the opposition.” Examining Trikoupis' controversial tax policy, Andreadès (1924, 397) came to his defense, finding it not just modern but pioneering and well-adapted:

The new taxes were [...] very sound and tailor-made to the character of the people, proof of which is that after the attempt to abolish them they were eventually maintained by their impugners; even now, more than forty years later, they constitute the foundations of our legislation ...

While showing his appreciation for the “*trikoupean*” tax measures, Andreadès (1925, 120) decried the unproductive and long-lasting process, from legislative approval to implementation and revenue collection. Trikoupis imposed taxes without having the means to collect them. This was the reason why he preferred indirect to direct ones. Lazaretou (2003,

12-13) explains that none of the nineteenth century Greek governments dared to undertake fiscal reforms such as improving the tax collection system and increasing revenues from income taxes. Regardless of tax collection, the issue of the currency mismatch between tax revenues, which were typically in domestic currency, and foreign currency debt servicing, remained unsolved throughout the “*trikoupean*” era. Trikoupis never dealt with this mismatch, which frustrated deficit reduction.

Diligiannis, an anti-tax advocate, failed to reduce public spending and finally, despite his election promises, adopted the ambitious “*trikoupean*” budgets and taxes. His declaration, “Well, we did not reduce revenues [...]”. The only thing we changed was the Tobacco Law. But we changed it by increasing revenues rather than reducing them”,<sup>12</sup> was an admission of their convergence. However, policy also converged under Trikoupis. In the aftershock of the mobilization of the Greek army in response to the East Rumelia crisis, Trikoupis, who had already returned to power despite the fact that he had announced the immediate abolition of progressive “*diligiannean*” taxes (on inheritances and properties), recanted his views, confessing: “I consider progressive taxes to be terrible, but the current situation is not favorable for them to be abolished” (Trikoupis 1886).

For as long as Trikoupis and Diligiannis competed to win parliamentary majorities, convergences in economic policy (e.g. budget, taxation, etc.) were greater than one would expect judging from their conflicting arguments alone. Especially in a bipartisan system, political competitors meet at the point where, according to Anthony Downs (1957, 181), the majority is concentrated. This is not surprising since voters prefer to cash in real-life rewards as opposed to election promises.<sup>13</sup> While in practice, as already noted, politicians may have an established interest in adjusting their verbal dogmatism to the demands of public opinion, we (researchers, voters, society) tend to become exasperated when they do so, deviating from our inelastic perception of them. Iconic politicians, like

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<sup>12</sup> GPNC, “*Untitled*”, *Proia* [Athens], November 1, 1885, p. 6, column β'. Print (in Greek).

<sup>13</sup> Richard Nadeau, Richard G. Niemi, and Timothy Amato (1994) claim the opposite suggesting that it is not the actual economy but rather, economic perceptions that influence voters' intentions.

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most historical celebrities<sup>14</sup> should suit their, imposed by us, doxographic standards. When Greeks think about Trikoupis, what comes to mind is a monolithic impression of an economic modernist and political reformist. As we have seen so far though, and as I have demonstrated elsewhere (Papanagiotou 2018), the points where Trikoupis and Diligiannis converged were numerous; their intersection was not an empty space.

As was the case for the politicians of this time themselves, entire economies were required to compromise, improvise, copy each other. The path towards modernization was not a “by the book” endeavor, as proved in a recent edited volume (Psalidopoulos 2016), where the contributors examined economic models that Greek politicians and economists presented in order to close the gap with the developed economies of the nineteenth and twentieth centuries. Most of these models worked nicely in theory, but proved problematic in application.

It was the French attempt to catch up with Britain (more specifically, the development dogma of Saint-Simonism) and German interventional ideas which became the two major influences on the Greek economy’s westernization. The principal problem with the adoption of an uncontaminated (pure) economic liberalism for the newly-established Balkan states was that, unless its application was well-organized, liberal principles could not be successfully adapted. What finally resulted in Greece’s case was economic confusion: an orthodox liberalism theoretically adjusted for Greek standards. (Psalidopoulos and Theocarakis 2015, 953-954).

Trikoupis held the mandate to govern during most of this period, and his implementation of a provisional modernization departed from the canon by default: he questioned the principles of the liberal gospel (Psalidopoulos 1996, 155). In this, he was not only eclectic, but erratic as well. His incoherent policy-making may also be observed in his interventionist measures. Since the foundation of the *Crédit Mobilier* (1852), the concept of modernization through industrialization had been transformed into an unquestionable, universal dogma: the promising example indicated how bank capital could be transformed into an

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<sup>14</sup> Richard Rorty (1984) analyzes both at length and in depth the case of philosophers.

industrial one. Although the adjustments to this recipe were full of misinterpretations and failures (Dertilis 2014, 488-503), the concept was accepted by the Greeks.

While in 1884 Trikoupis sought by imposing tariffs to implement an industrial policy—both to collect the revenues needed as well as to protect the Greek economy from imports—he changed his mind completely within three years (Apostolos Andreou 1933). The following quotes are perfectly illustrative: “Manufacturing must first become an industry and then be protected”, he acknowledged with disappointment once he realized that the bar had been set too high and that his expectations had been proven unattainable.<sup>15</sup> “It is simple; there is no manufacturing in Greece as there is in other places, protective tariffs are justified if and only if manufacturing exists”, he admitted (Panagiotis Petrakis 1992, 75; Eustathios Tsotsoros 1993, 153). Georgios Charitakis (1927) would characterize his policies as a “passive protectionism”. But, if that was the case, how was he planning to build a modern economy and repay the country’s loans without industrial production?

In addition to the illuminating case of tariffs, there were many instances of self-renouncement. His turnarounds in both fiscal and monetary policy jeopardized the convertibility of the Greek drachma (1885), despite the fact that the one-to-one parity with the French franc had been one of his major priorities at the beginning of his political hegemony. Therefore, the question which emerges is: how much of a modernizer could a politician who completely changed his mind about domestic manufacturing, monetary and fiscal policy in such little time or who shared the same budget with his conservative competitor actually be?

### **Retracing the path towards the 1893 sovereign default**

Whether or not we agree with Ludwig von Mises (1949, 867) that the prediction of the economic future is “beyond the power of any mortal man”, we can retrace the path towards the default’s foundations, reasoning backwards in time, to reveal the decisive mispredictions or misjudgments

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<sup>15</sup> GPNC, “*Βιομηχανία - Κυβέρνησις*”, (translated: “*Manufacturing-Government*”), *Acropolis* [Athens], April 6, 1887, pp. 1-2. Print (in Greek).

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Trikoupis made throughout his pursuit of a rushed and unsustainable modernization.

For Greece, its long-standing negative balance of payments turned into a nightmare after the sharp rise in international borrowing and the bubble burst of its most important export product, the currant. These problems emerged simultaneously during the first half of the penultimate decade of the nineteenth century, and Trikoupi failed to find solutions to either. Although Trikoupi dominated the political arena in the 1880s, with the exception of a two-year break (1884-6), Dertilis (2016, 59) considers Diligiannis' political maneuverings, during the time that coincided with the East Rumelia crisis, as the onset of the economic collapse. Unsurprisingly, the same view is held by Trikoupi's biographer, Tricha (2016, 526).

Diligiannis became prime minister in 1884 after a fierce attack on Trikoupi's economic policy and call to arms, despite having earlier imputed the economic upheaval of 1884 to the 1880 "*trikoupean*" military draft.<sup>16</sup> With regard to the political responsibility concerning the deficits caused by the warlike events, Athanasios Eutaxias reminds us that Trikoupi had not recommended a contingency plan. While there are those who would blame Diligiannis for the default placing the expense of the East Rumelia crisis as the starting point, Koromilas sets the locus at shortly before, at the 100 million drachmas loan taken out for the unsuccessful and premature return to the Gold Standard, signed by Trikoupi in 1884.<sup>17</sup> Pakos and Prontzas (2011, 370) also blame Trikoupi, but for undertaking ambitious modernization projects without the expertise to execute them. His eagerness outpaced reality. They support the argument that he was an optimist who constantly envisioned "on time" completed projects which would deliver the anticipated economic benefits far more quickly than they actually could. By always considering the maximum as achievable, he behaved irrationally. His unrealistic conceptualization and poor execution was, in their opinion, the trigger of a debt avalanche that grew progressively as it amassed more loans. The difference between what

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<sup>16</sup> In an interview he gave to *Acropolis* [Athens], September 19, 1884, pp. 1-2, Print (in Greek).

<sup>17</sup> GPNC, Appendix *Acropolis* [Athens], February 23, 1894, Print (in Greek).

Tripoukis aimed to achieve and the outcome was considerable. Rather than burden the country with debts, he had promised to transform Greece into the first stock exchange of the East, with oceans of international capital flooding in.<sup>18</sup>

Britain's ambassador, Horace Rumbold, gave a psychological explanation for Trikoupis' megalomania and his lack of precision in execution and planning (1905, 15):

Charilaos Trikoupis was destined to act on a greater political stage compared to the one his genius and vigor were limited to. He had [...] the propensity to see and do things on a large scale, having [...] sincere faith in the future of the Greek people.

A typical example of his utopian modernism was his aspiration to construct the Rio-Antirrio bridge, an extremely expensive project that was completed and named after him in 2004 (108 years after his death), and is now considered to be a technical masterpiece of the twenty-first century. Evidence in support of this argument can also be found in his railway network announcements. "Within 4-5 years, not only Athens to Patras and Nafplio, but the entire network of our railways will be constructed ..." (Greek Parliamentary Papers 1882b), he promised in 1882; in reality the project proved far more time-consuming and costly than envisaged. But, Trikoupis was not the only political figure of his epoch to underestimate the costs and overemphasize the potential of modernization. Both Leonidas Deligiorgis' plan for a 3,000 kilometer road network in 1873 and the Corinth Canal that separated the Peloponnese from the mainland signed by Koumoundouros in 1881, played out in a similar fashion.

Faith in the rightness of one's values and actions must, for Nicholas Gane (1997, 554), be combined with a calculated vision for the means, ends and consequences of politics; Trikoupis, similar to most of his contemporaries, failed to strike a balance. This attitude characterizes latecomers, who realize their backwardness and tend to behave impatiently

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<sup>18</sup> GPNC, "Αγόρευσις", (translated: "Speech"), *Ora* [Athens], November 16, 1883, pp. 1-8. Print (in Greek); "Βουλή", (translated: "Parliament", *Efimeris* [Athens], November 15, 1883, p. 3. Print (in Greek).

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when they gain access to the means of progress. Jeremiah Jenks (1894, 363) confirmed this: “If Trikoupis has a political weakness, it is obviously that he is rushing a bit [...] instead of following the slower, yet safer method. He imposes appropriate reforms faster than necessary.” According to Diligiannis, Trikoupis’ eagerness involved risks that were capable of destabilizing the economy. “[...] Greece should aim for economic stability in the foreseeable future, having achieved balance and a sufficient surplus first, then having to improve administration, undertake railways and other projects”, he claimed, supporting a modest modernization (Georgios Hatzigianakoglou 1905, 56-57). In 1883, Trikoupis’ minister of finance, Kalligas, resigned because of the prime minister’s desire to proceed with naval expenditure without being assured of revenue collection (Tricha 2016, 321). From that point onwards, Trikoupis decided to hold on to the economic portfolio himself. His determination to implement his program, no matter what difficulties were involved, but also his authoritarian behavior, were two reasons that forced leading members of his government to resign during his first long administration (Tricha 2016, 321). The “*trikoupean*” party became self-centred from a very early stage.

Simopoulos—the economic brain of the post-sovereign default era and a well-known member of the “*trikoupean*” party—argued during the 1894 budget speech: “Greece’s sovereign default dates back to 1881.” While placing the origins of the default’s countdown at the beginnings of the “*trikoupean era*”, it is impossible to say if by doing so he incriminated (implying that he did not make proper use of the political time and capital he was given to avert it) or acquitted the newly-elected prime minister. Simopoulos’ assertion reset the starting point of the Greek economic crisis well before the Baring crisis or the warlike events of 1885-6. Despite his 1894 claim that the collapse dated back to 1881, in 1888 he said that no one was thinking about how to avoid the impending sovereign default (1888, 46). The newspaper *Athinai* describes the lack of concern:

In the winter of 1888, the atmosphere in Athens was extremely vibrant; balls were organized every afternoon [...]. Money was flowing

and public works were under construction [...] the city was experiencing a never seen prosperity.<sup>19</sup>

In 1886, Kalligas warned: “[...] we need a three-year fast [...]. The crisis is before us and is going to be bad.”<sup>20</sup> Paradoxically, instead of solving the problem, by limiting international borrowing gradually, Trikoupis continued with even greater intensity, ignoring all warnings. At that point, a four-year period began that was given the title “Bread and circuses” by Tricha (2016, 452). During this particular premiership alone (1886-1890), the government borrowed a nominal capital of 350 million francs, a sum greater than the overall external borrowing since the state’s establishment in 1830 (Eliadakis 2003, 138). From 1886 onwards, according to Lazaretou (2003, 16), the government’s floating debt increased rapidly, implying the use of money creation as a financing instrument. Trikoupis was using borrowed money with the expectation that tax revenues and investment returns would finally exceed borrowing costs, but this never did happen.

Trikoupis had devised a radical path to development that was never properly revised: he dynamically intervened by spending money the country did not have in order to both modernize and save the Greek economy. He lacked, however, an important characteristic Weber considered fundamental in leadership, that of adaptability. “Each new fact may necessitate the re-adjustment of the relations between end and indispensable means, between desired goals and unavoidable subsidiary consequences”, the German social theorist advises (1949, 23).

Politics is, by definition, neither an ethical nor an exact science; it involves dangerous means and demands both calculation and risk; it is an unpredictable enterprise (Gane 1997, 550). Trikoupis bore the full risk and enjoyed all the credit for the modernization endeavor, in most people’s perception. In reality though, his successors paid the full price.

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<sup>19</sup> GPNC, “Μπαλ-καλικο”, (translated: “Balls”), *Athinai* [Athens], February 14, p. 1. Print (in Greek).

<sup>20</sup> GPNC, “Τα Αίτια της Υψώσεως του Συναλλάγματος”, (translated: “The Causes of the Exchange Rate Depreciation”), *Acropolis* [Athens], September 12, 1886, pp. 1-2. Print (in Greek).

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Did he not know that the Greek economy was becoming addicted to foreign savings? Did he not foresee that the unprecedented credit boom would result in a debt bubble? Yet perusal of the press of the time reveals that politicians debated endlessly about the nature, the causes and the potential dangers of economic turbulence (Papanagiotou 2018). If that was the case, then what did Trikoupis do in order to avoid it? According to Paul Karolidis (1929, 311), he was estimated to have had enough time to prepare the escape, and perhaps he may have been right if we consider that upon the IFC's arrival (1898), the Greek economy recovered relatively quickly.

The political cost proved an unbearable burden that neither Trikoupis nor Diligiannis were able to fully overcome. To this end, Trikoupis never successfully implemented an effective fiscal adjustment policy but rather dynamically drove the Greek economy towards modernization by contentious debt recycling; he also failed to tame the money supply. The political competition between the two was a ceaseless and immature tug-of-war with the two leaders pulling in different directions: Trikoupis wanting to increase both spending and taxes and Diligiannis pushing for the opposite. The voters, however, were asking and voting for the impossible: tax cuts and government spending all at once. To entice them, Trikoupis increased spending more than he did taxes, whereas Diligiannis failed to reduce spending as much as would have been necessary to match government revenue. The economic deficit was the by-product of their combined political deficiencies.

The cessation of all international borrowing, after the 1890 panic, resulted in the bubble bursting. The Greek economy was highly vulnerable to financial fluctuations because of its dependence on foreign currency-denominated debt. When investors' confidence evaporated, large credit withdrawals caused a credit crunch. What becomes clear is that the period examined here should not be considered an era of economic growth, but as one of extreme "leverage".

## Conclusion

I have disputed here, to some extent, Trikoupis' modernism and re-evaluated, free of most common prejudices, his economic actions; the failure of the Greek economy, although not mono-causal, was undeniably exacerbated due to his unrealistic initiatives. This analysis suggests several reservations around Trikoupis' portrayal. It may be difficult to consider a politician a "modernizer" if he:

1. heads towards development while walking the tightrope above a "fiscal abyss" without a safety net, despite the fact that he was governing just after a long-term exclusion from international capital markets, which means that he should have known from first-hand experience the devastating consequences of irresponsible borrowing;<sup>21</sup>
2. converges in terms of ideas with his conservative opponent on numerous occasions, not in theory but in practice;
3. misses the targets he had set regarding budget surpluses, tax revenues, currency convertibility, returns on public investments or loan repayments while serving as minister of finance, a position which gave him complete oversight and ultimate control over the economy;
4. favors indirect taxes over direct ones or clientelism (regardless of his reservations) not outrightly, but indirectly through his excessive borrowing under a nonconvertible currency regime which recreated an unsustainable bliss?

Despite these points of scepticism that weaken his modernist profile, one could still argue that Trikoupis was an effective modernizer who attempted to disseminate the principles of modernism in economic policy and beyond. Besides, the path to modernization may well be a one-way, but still open-ended, and improvisational process (Eisenstadt 2000).

On the question of whether Trikoupis was an efficient modernizer, the answer I give throughout this article is that he was not. The "*trikoupean*" feats were accomplished with disproportionate exaggeration of the opportunity costs, colossal borrowings, and low returns on investments.

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<sup>21</sup> According to institutional theory, there are situations in which economic agents become unable to change deeply entrenched practices.

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His bounded rationality led him to underestimate the risks of borrowing. He was an inefficient modernizer if seen in absolute terms: his economic misjudgments proved to be fatal. There is no doubt that post-“*trikoupean*” Greece was a country in transition, trying to catch up with the developed ones, but militarily defeated (1897), bankrupt (1893), and under financial supervision (1898) at the same time. In relative terms though, he was far more modern compared to any other major Greek politician of his time in the sense that he actively tried to overcome economic backwardness. And his economic policy demonstrated some of his accomplishments: he reformed taxation, introduced the new drachma, set the foundation of modern transportation networks, implemented the treaty of the Latin Monetary Union and renovated Athens.

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