

*The Economic forces of victory versus those of defeat: An analysis of the Greek Economic and Military Mobilization of the 1909-1923 period.<sup>1</sup>*

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**Introduction.**

The intellectual aspiration of the paper is to highlight the economic forces, which played an immense role in the wars in which Greece participated during the 1909-1923 period. These were four major conflicts: The two Balkan wars of 1912-1913 against the Ottoman Empire and Bulgaria; the First World War (1914-1918) and the Greek-Turkish war of 1919-1922. The tragic period started with Greek victories and ended with the greatest defeat of the modern Greek state. Although these conflicts were different, there is a clear nexus between them. In the Greek as well as the international bibliography, the majority of studies highlight the strategic, tactical, operational, diplomatic, psychological dimensions of the conflicts of the period, as well as, the personal motives of political and military leaders. Under this intellectual framework, the economic forces of the conflict are marginalized by most academics. The final conflict of the period is primarily known as the 'Campaign of Asia-Minor' in the Greek bibliography, whereas in the Turkish bibliography it is considered as 'the Great Patriotic War.' Thus in this article we aim to demonstrate that the conflicts of the period are connected and also that the Greek defeat

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<sup>1</sup> This article is dedicated to the memory of my beloved grandmother Stavroula Poulea Koutsikou (1921-2019) who passed away. She had lived the Second World War and had told me many stories from that era. She passed away pointing out that she had "no complaint neither from God nor from humans".

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of 1922 was the outcome of a chain of miscalculations which the Greek side has made, but above all it was the nexus of limited economic resources, diplomatic errors and wrong tactical decision making in the front. The structure of the article is as follows: The first section highlights the concept of 'Megali Idea,' **which** defined Greek foreign and defence policy during the 1844-1923 period. This section highlights the crucial developments of the 1909-1919 decade just before the war of the 1919-1922 period and demonstrates that the war developments were directly associated with those of the previous decade period. The second section analyses the strategic and tactical errors by the Greek side during the conflict and associates them with the economic forces. The third section highlights the Turkish tactical, economic and diplomatic advantages and demonstrates how these were associated to economic power. The fourth section provides an analysis based on the options, which the Greek side had but failed to materialize. Conclusions follow. (We point out that all the dates are with the new Gregorian calendar versus the old Julian calendar).

### **The Greek concept of "Megali Idea": The limitations of the political goals and the developments of the 1909-1919 decade**

The concept of 'Megali Idea' (=Grand Idea) was endorsed as official state policy in 1844 and its aim was to unite all the Greeks (most of them under Ottoman rule with the new Greek state which was created in 1830). Obviously, the concept was similar to that of other European nineteenth century states. A similar idea of unification existed in Italy, as well as, in the German states and principalities of central Europe. In the East, Russia had also endorsed a Pan-Slavic dream. The problem with the Greek case was triple:

1. The new state did not have the necessary demographic, economic, military and technological resources in order to implement the policy of "Megali Idea" and there are certainly immense differences between words and acts in politics.
2. The second problem was that Greek national goals were clashing with those of other regional Balkan states, especially Bulgaria. Both countries aimed to control the provinces of Macedonia and Thrace, still under Ottoman rule.
3. The third problem was that Greek aims had to be supported by major powers and before World War 1 certainly Italy and Russia did not support the Greek goals because they both had their own interests in the region. Germany and Austria-Hungary also did not support Greek goals because they had interests in the Ottoman Empire. Only Britain and France were providing limited diplomatic support.

Under these domestic and external constraints, the actual implementation of the 'Megali Idea' policy was a difficult and time lengthy process. The actual difficulties of implementing the policy were demonstrated in the 1897 Greek-Turkish war. In that conflict, the complete military superiority of the Ottoman Empire forced Greece to a humiliating defeat. It was obvious that any future attempt to implement the policy had to be made with allies, since Greece alone did not possess the military and economic strength to implement the policy. During the period between 1909 and 1912 Greece managed to create a regional Balkan Alliance with Serbia, Bulgaria and Montenegro and in October 1912 the First Balkan War erupted. In that war, the Turkish forces were split fighting across many fronts and the outcome was a complete triumph for Greece. Very soon, the Balkan Alliance was split and a second Balkan war erupted in June 1913 this time between Bulgaria on the one side, and Greece, Serbia, Montenegro and Ottoman Turkey on the other. Again, the result was victorious for Greece. By August 1913, the second Balkan war was over. The Greek state increased its territory from 63,211 square km to 120,308 square km. and its population from 2,631,952 inhabitants to 4,718,221 inhabitants.<sup>2</sup> The Greek economy has benefited from the victorious wars. To illustrate, total arable land increased from 8,646,000 square km in 1911 to 13,356,000 square km in 1914. Barley production increased from 80,000 tonnes to 133,000 tones; wheat production increased from 343,000 tonnes to 357,000 tones; corn production increased from 151,000 tonnes to 239,000 tonnes respectively. Bank deposits increased from 259.2 million drachmae (or £6,060,620) in 1909 to 466.5 million drachmae (£11,770,906) in 1914. The number of commercial ships increased from 287 in 1909 to 407 in 1914; the shipping capacity increased from 484,000 gross tones to 821,000 gross tones over the same period.<sup>3</sup> The economic cost of the Balkan wars was as follows: in 1912, the Army Ministry expenditure was 45,737,032 drachmae and the Navy Ministry was 45,508,724 drachmae. In 1913, the figures were 118,343,940 drachmae and 34,041,789 drachmae respectively.<sup>4</sup>

By the end of 1913, Greece had partially fulfilled the goals of the 'Megali Idea.' However, European developments soon changed the course of Greek history. In August 1914, the First World War erupted and Austro-Hungarian forces invaded Serbia, Greece's primary Balkan ally. By the end of 1914, the Ottoman Empire would enter the war as an ally of Germany and Austria-Hungary. At that time, the Greek Prime Minister Venizelos was convinced that Greece

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<sup>2</sup> G. Hristopoulos & I. Bastias, eds., *History of the Greek Nation-Modern Greece 1881-1913* (Athens: Ekdotiki Athinon, 1977), pp. 14:354.

<sup>3</sup> G. B. Dertilis, *History of Greek Nation 1830-1920* (Athens: Estia editions, 2006), pp. 2:881, 980-983, 1022-1030.

<sup>4</sup> A. Andreadis, "Greek War Public Economics 1912-1923," *Athens 1940*, pp. 22-23 original source using public statistics.

should enter the war as an ally of the Entente powers and support the Serbian army under the provisions of the joint Greek-Serbian treaty of military alliance. However, King Constantine and the military remained cautious and supported a policy of neutrality.

The King and the military pointed out that the military alliance with Serbia was valid only if a regional war erupted and not under the status of a general European conflict. Thus, Greece had to remain neutral. Behind this peculiar legal interpretation of the Greek-Serbian Treaty, we can see that, in spite of the Balkan war triumphs of 1912-1913, Greece remained a weakened state in military and economic terms.

The military was pointing out that a two-front war was impossible for the Greek Armed forces. To illustrate, on 13 January 1915, a dialogue between Prime Minister Venizelos and one of the senior military officers (acting Chief of Staff) Metaxas was as follows:

Metaxas: What will happen with Turkey?

Venizelos: The Allies will perish her

Metaxas: I find it quite difficult...

Venizelos: No, they want [to destroy Turkey]

Metaxas: How? They can attack in the Dardanelles but then the Turkish Army can defend in Asia Minor. Who will destroy them there?

Venizelos: We will enter in the struggle

Metaxas: How we will protect our European borders from the Bulgarians?

Venizelos: We can enter the war only if Bulgaria is an ally and fights against Turkey as well.<sup>5</sup>

The above dialogue demonstrates vividly that, in January 1915, the Greek Prime Minister was considering action against Turkey only if Bulgaria allied to the Entente Powers as well. However, almost at the same time, the King had his own reservations about such a military adventure. The discussion between the Greek King and his brother Prince Nicolas demonstrate vividly that the former was anxious about an overextension policy. According to the King, "Imagine how many army, navy and [how much] money we need in order to capture, defend and administer a huge region in Turkey. When and how we will conquer these Turkish

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<sup>5</sup> Ioannis Metaxas, *My Personal Diary* (Athens: Govostis editions, no publication date), pp. 4:384-386.

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lands, which are inhabited mainly by Turks? Who will help us? Do you believe that any of the [Entente] Allies have available forces for such an enterprise?"<sup>6</sup>

Until the beginning of 1915, it was obvious that Greece considered entering the war, but only if the operations were against the Ottoman Empire and its northern borders were safe. When the Entente Allies started the campaign in the Dardanelles (19 February 1915) Venizelos was convinced that Greece had a historical opportunity since its primary adversary the Ottoman Empire was allied to the Central Powers. He demanded the immediate entry of Greece in the war but, in the Crown Meeting of 3 March, no decision was taken. A second meeting occurred on 5 March and most political leaders accepted the proposal of Venizelos for immediate Greek entry. However the King and the military remained cautious. The next day the King opposed any Greek involvement and Venizelos resigned. A new government was formed under Dimitrios Gounaris. On 22 March, the Allies stopped the Dardanelles campaign which restarted on 25 April 25. By 6 December 1915, the Dardanelles campaign was over and it was a huge military catastrophe for the Entente (just as the Greek military leadership had predicted). However, the biggest problem was that already from 5 October 1915, Bulgaria had entered the war as an ally of Germany, Austria-Hungary and Turkey and, by the end of the year, the joint German-Austrian and Bulgarian forces had crushed Serbia. Thus, at regional level by the end of 1915 it was obvious that any Greek attempt to enter the war as an Entente ally would easily bring a chaotic situation.

However, throughout the period February-December 1915, Venizelos insisted that the Greek Army should join the Dardanelles operations, started by the British and the French, even with Bulgaria in the opposite camp. Meanwhile, the Greek economy deteriorated. As a neutral state, Greek military expenditure decreased from 123,777,849 drachmae in 1914 to 65,584,824 drachmae in 1915. The distribution of these expenditures also changed: in 1914, the Army Ministry budget was 38,731,344 drachmae and the Navy Ministry budget was 85,046,505 drachmae. However, by 1915, the figures were 48,253,805 drachmae for the Army and just 17,331,019 drachmae for the Navy.<sup>7</sup> The difference of allocating resources demonstrates the

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<sup>6</sup> Panayiotis Pipinelis, *More Light: Our National Policy during World War I* (Athens: no publisher, 1961), p. 11.

<sup>7</sup> A. Andreadis, "Greek War Public Economics 1912-1923," pp. 22-23, Original source using public statistics. However, Andreadis himself rejected the above data pointing out that the published official data reflected either state propaganda or secrecy since the real aggregate war expenditure were 222.7 million drachmae in 1914 and 289.1 million in 1915. Andreadis used data provided by the Director of Fiscal Accounts Th. Lecatsas and pointed out that the published data were underestimates. He also pointed out that the British Foreign Office did not publish any data on Greek fiscal accounts after 1913 pointing out that the British data were more accurate.

changing strategic realities. In 1914, the Greek planners thought Turkey would attempt to re-occupy the Aegean islands so placed the budget emphasis on the Navy. However, in 1915, the Allied offensive in the Dardanelles and the entry of Bulgaria in the war changed Greek military priorities. At that time, the Greek military planners believed that a land war with Bulgaria, Turkey and even German and Austrian forces was possible. Thus, priority was shifted to the Army, and when Bulgaria entered the war, neutral Greece ordered full military mobilization.<sup>8</sup>

Domestic Greek political developments also became violent. The Gounaris government decided that only the elections would provide a solution and new elections took place on 31 May 1915. The Liberal Party under Venizelos campaigned for Greek entry in the war; whereas the Conservative Party under Gounaris asked for neutrality to continue. The result was a clear victory for Venizelos with 189 seats in the Parliament as opposed to 127 of the Conservative coalition (of various parties). The new Venizelos government took power on 16 August 1915 but its immediate priorities were domestic not foreign. It was obvious that both sides were looking for a compromise. However, when Bulgaria ordered full mobilization on 23 September 1915 and eventually entered the war on 4-5 October 1915, Venizelos requested full Greek mobilization and immediate entry of Greece in the war against the Central Powers. The King and the military accepted mobilization but not immediate Greek entry into the war. Venizelos protested and resigned for the second time. It is certainly unique in global political history that a government resigned at the time of complete military mobilization!<sup>9</sup> However, this time, external forces escalated the political tension inside Greece. Until October 1915, the opposing leaders, King Constantine and Premier Venizelos, with their political parties kept their differences muted under a polite exchange of ideas and arguments. Behind the scenes, however, the Entente Powers supported Venizelos' Liberal Party whereas the Central Powers supported the Palace and the conservatives.<sup>10</sup> However, no formal violation of Greek neutrality occurred.

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<sup>8</sup> The Greek Chief of Staff with three memorandums (dated 20 January, 17 February and 8 March 1915) pointed out that 135,000 Greek Army and another 120,000 Serbian Army would have to face 300,000 German and Austrian troops, 240,000 Bulgarian troops and at least 100,000 Turkish troops. It was obvious that if Greece entered the war 255,000 Greek and Serbian soldiers would have to face 640,000 soldiers of the Central Powers. For the Army memorandums see: Ioannis Metaxas, *My Personal Diary* (Athens: Govostis editions, no publication date), pp. 4:392-425.

<sup>9</sup> For the domestic political developments see: G. Hristopoulos & I. Bastias, eds., *History of the Greek Nation-Modern Greece 1913-1941* (Athens: Ekdotiki Athinon, 1978), pp. 15:15-29.

<sup>10</sup> Two interesting points have to be mentioned. The first is associated with the Greek military mobilization of 1915. The country did not have the necessary finances for the mobilization effort and thus the Greek government requested an immediate loan of 10 million drachmae from Britain and France. Both accepted only if the mobilization was followed with an official war declaration against the Central

This time things would be different. Venizelos' second resignation was seen by the Entente Powers as a direct coup d'état and just hours before the official Venizelos resignation took effect, joint British and French troops landed in the port of Thessalonica. In Athens, a new government was formed under Alexander Zaimis. Paradoxically, the King and the new government accepted the British-French forces in Thessalonica as long as these forces did not engage in fighting against the Central Powers. Greek mobilization would continue but the country would remain neutral. On 22 October, the Zaimis government lost its parliamentary majority and new elections were called for 6 December 1915. Venizelos and the Liberal Party decided to abstain. Meanwhile, throughout the period, Entente troops continued to land in Thessalonica.

These landings provoked a reaction by the Central Powers. Immediately after the elections of 6 December, the German ambassador in Athens requested the new Greek government (under Stephanos Skoloudis) either to stop the allied landings or as a neutral state to disarm the British and French forces. Berlin pointed out that if these demands were not met then an invasion of the Central Powers was possible. The Entente Powers reacted by informing the Greek government that any attempt to disarm the Armies of Thessalonica would be considered an act of war. On 10 December, a diplomatic solution was found. A new agreement would allow the Entente forces to remain in Thessalonica and fortify the region but no offensive

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Powers. Thus, Greece turned down the offer. Then on 20 November 1915, the German ambassador in Athens notified the Greek Prime Minister that Germany was offering a 40 million Marks loan to Greece. Practically Germany was financing the mobilization of the Greek Army, which was directed against its ally Bulgaria! When the Greek side asked if there were any political pre-conditions for the loan the answer was negative. See for details: Ioannis Filistor, "The secret loan of Skoloudis government from Germany during World War I and the political ramifications (1915-1917)," in [www.istorikathemata.com](http://www.istorikathemata.com) article publication date 6-6-2013. The second interesting point is associated with the role of secret services in Greece from both the Entente and the Central Powers. The well known arm dealer Sir Basil Zaharoff convinced both Britain and France that it was in their interest to see the abdication of Greek King from the Throne. Both states officially did not want to endorse this policy however they allowed Zaharoff to intervene and bribe the press and many officers in order to achieve this goal. See: John T. Flynn, *Men of Wealth. The Story of Twelve Significant Fortunes from the Renaissance to the Present Day* (New York: Simon & Schuster, 1941), pp. 337-372. On the other hand, the role of the Central Powers secret services was double. First, they aimed to provide financial and political support to the King and be to use also bribery as a method against Venizelos and his supporters. These policies are highlighted in the volume: P.K. Enepekidis, *The Glory and the Division: From the secret archives of Vienna, Berlin and Verne 1908-1918* (Athens: Zacharopoulos editions, 1992), second edition.

action would be undertaken against the Central Powers. However, on 23 May 1916, a joint German-Bulgarian force of 26,000 men invaded Greece and occupied the Roupel fortifications. The small Greek army units in the region were ordered to surrender. It was obvious that the Central Powers invasion was the outcome of the previous Entente invasion and occupation of Thessalonica.

The result of these developments was catastrophic. On 8 June 1916, the Entente Powers demanded the Greek government resign, to hold new elections and to de-mobilize the Greek Armed forces. Athens accepted the Allied demands and on 9 June, a new government under Alexander Zaimis was formed. This government was regarded by the Central Powers as a puppet of the Entente and, on 17 August, more German and Bulgarian forces invaded Greece. By the end of the month, all Eastern Macedonia region was under the Central Powers rule. The loss of military material captured by the German and Bulgarian forces was estimated at 44,500,000 drachmae.<sup>11</sup> The Great Powers were engaging in unilateral action without regard to Greece's wishes. On 29 August, the Zaimis government resigned and a new government was formed under Nickolaos Kalogeropoulos on 3 September. However, this government was forced to resign a month later and a new government under Spyridon Lambrou was formed on 27 September 1916.

These successive Greek governments did not react to the Central Powers latest invasion, but Venizelos did. He left for Thessalonica on the night of 12 September and proclaimed a 'Provisional Government' and a 'second Greek state' with Thessalonica as its capital on 9 October 1916. The regions of Macedonia and the islands of Chios, Lymnos, Lesbos, Samos, Ikaria, and Crete in the Aegean and Corfu in the Ionian Sea immediately followed the new state. The other regions of Greece, including Peloponnesus, Central Greece, Thessaly, Epirus, the islands of Central Aegean and the remaining Ionian islands remained under the Athenian government. The country was divided mainly by the actions of the Great Powers.

During the year, the economic situation deteriorated. According to the official data defence expenditures in 1916 were \$31,792,615 drachmae (\$19,207,867 for the Army and \$12,584,748 for the Navy); however Andreadis provides the aggregate figure of 245,300,000 drachmae.<sup>12</sup> Inflation increased from 1914 = 100, to 1915 = 117 and 1916 = 159.<sup>13</sup>

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<sup>11</sup> Yannis Delagrammatikas, *National Subjection in the years of division* (Athens: Modern Era publishers, 1985), p.17.

<sup>12</sup> Panayiotis Pipinelis, *More Light*.

<sup>13</sup> Xenophon Zolotas, *Monetary Studies* (Athens: Dimitrakos editions, 1932), p. 46.

A direct Entente ultimatum to the Athenian government on followed on 16 November 1916, which called for the surrender huge armament stores to the Allies. On 19 November, Athens rejected the demand, pointing out that demobilizing was one thing but surrendering military equipment was another. Greece could not remain undefended and such action could be regarded by the Central Powers an indirect military assistance of Greece to the Entente. Athens was still insisting in the policy of neutrality, which had been practically terminated by the interventions by both the Entente and the Central Powers. Following this rejection, the French navy bombed Athens and French troops landed in Faliro to occupy Athens. Then the Greek forces opened fire and the outcome was 194 Allied troops and 82 Greek soldiers dead, not counting the civilian victims of the French bombardment. By 2 December 1916, the Entente forces had withdrawn but the tensions inside Greece remained high. In the region of Athens, a huge wave of intimidation was directed against Venizelos supporters. In the following days, 35 people were murdered, 922 were arrested, 503 shops belonging to Venizelos supporters were looted, 66 properties were destroyed, 31 pro Venizelos newspapers were closed down, 980 individuals were expelled and the products of 359 firms were boycotted because the owners were supporters of Venizelos. The supporters of King Constantine who happened to live in the territories of the 'Second Greece' suffered as well. The country was one-step from civil war.<sup>14</sup>

On 8 December 1916, Britain and France imposed a naval blockade on the territories of the 'Athenian Greek State.' A complete disintegration of the economic life of Greece followed and hunger became prevalent. On 2 February 1917, a telegram from the Greek Ministry of Foreign Affairs in Athens to the Greek embassies across the globe informed the international community that famine, dysentery and poisoning and various epidemics had started in various parts of Greece due to the shortage of food and medical supplies. The telegram pointed out that 19 people had already died from starvation. On 20 February, another telegram from Athens to the Greek embassy in Washington indicated that huge quantities of agricultural products which were due to be imported to Piraeus had been confiscated at sea by the Allies and were delivered to the Second Greek State in Thessalonica. As a result, the hunger of the population increased. Greece was seeking US intervention in order to terminate the Entente's naval blockade.<sup>15</sup>

Between January and June 1917, French forces captured all Aegean islands that were still under the Athenian State. They also captured the Thessaly region, the primary food source for the Athenian State. In the Ionian Sea, the Italians captured the islands, which were under the Athenian state and also the province of Epirus (without any opposition from the Greek Army).

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<sup>14</sup> Ioannis Metaxas, *My Personal Diary*, p. 42.

<sup>15</sup> C. Zavitzianos, *My memoirs from the historic dispute of King Constantine and Eleftherios Venizelos as I have lived it 1914-1922* (Athens: no publisher, 1946), pp. 1:235-236.

On 11 June, the Entente demanded the abdication of King Constantine 'in the next 24 hours' threatening that if the demand was not accepted, Athens would be bombed. Under the circumstances, King Constantine surrendered the throne to Prince Alexander (no formal abdication took place) and the new King was crowned on 12 June. On the same day, the Entente proclaimed the termination of Greece's naval blockade allowing food imports for the first time since December 1916. Meanwhile, the government of Spyridon Lambrou resigned on 21 April and was replaced by a government led by Alexandros Zaimis. This government was also replaced on 14 June 1917 by a new Venizelos government. Venizelos came back to power and reinstated the Parliament of May 1915 declaring that the elections, which had occurred without the participation of the Liberal Party after that date were invalid. The Venizelos government immediately ordered the full mobilization of the Greek armed forces and declared war on the Central Powers on 15 June 1917. Between June 1917 and September 1918, Greece mobilized a force of 316,000 men to fight against the Central Powers on the Macedonian Front. However, by the time of the armistice, 11 November 1918, Greece was a divided nation psychologically. Throughout the period, the conservative supporters of the King were intimidated, exiled and, in some cases, imprisoned.

The economy deteriorated throughout the period. The inflation index in 1917 was 256, in 1918 it was 366, and in 1919 it decreased to 323.<sup>16</sup> Defence spending was \$49,501,338 drachmae in 1917 (38,614,466 for the Army and 10,886,872 for the Navy). In 1918, it increased to \$596,262,189 drachmae (576,290,885 for the Army and 19,971,304 for the Navy). However, Andreadis' estimated \$369,900,000 drachmae for 1917 and 1,277,500,000 drachmae for 1918.<sup>17</sup>

Industrial production was very weak. On 20 October 1917, there were 2,213 factories across Greece, which employed 36,124 workers. Of those, 1,182 factories (53.4%) were small family firms which employed 1-5 workers each, 743 (33.5%) were medium-sized factories which employed 6-25 workers each, and the remaining 282 factories (12.7%) were considered big; each employed 25 or more workers. The value of Greek industrial fixed assets was 260,363,657 drachmae and the value of annual industrial production was 872,294,304 drachmae. Seventy percent of industrial factories were in the food and beverages industry with products like wine,

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<sup>16</sup> Ioannis Filistor, "The secret loan" Flynn, *Men of Wealth Enepekidis, The Glory and the Division*, p. 46.

<sup>17</sup> See: Pipinelis, *More Light*. According to another study, the total war expenditure of Greece during 1914-1918 was 1,982,896,650 drachmae (or £79,315,866). From the above sums the 757,228,640 drachmae were made before the Greek entry into the war thus almost two-thirds were made under neutrality status. See: G. Hristopoulos & I. Bastias, eds., *History of the Greek Nation-Modern Greece 1913-1941* (Athens: Ekdotiki Athinon publishers, 1978), p. 15:84.

olive oil, soap, pasta, cakes, bread, and raisin products.<sup>18</sup> Essentially, the state of Greek industry was at infant stage, and thus it could not support long-term military operations in terms of army equipment and supplies. Turning to shipping in 1915, the country had 475 commercial ships of 893,650 tonnes. During the 1915-1918 period, 114 ships (24%) of 259,617 (29%) tonnes were sold to foreigners. In addition, 154 ships (32.4%) of 387,013 tonnes (43.3%) were sunk by enemy action. Thus, total shipping losses, were 268 ships (56.4%) of 646,630 tonnes (72.3%).<sup>19</sup>

By the end of World War I, Greece was in ruins. The country was divided; the majority of economic activities (industry, trade, agriculture) were gone, either because of the shortage of raw materials, or because of low demand due to the naval blockade in the south. In the north, the fact that the region of Macedonia had become a battleground had tremendous negative ramifications. To this, one has to add the huge fires, which erupted in Thessalonica, accidentally igniting on 18 August 1917. In just 32 hours, the fire destroyed 32% of the town, 1,000,000 square meters, 9,500 houses and left 70,000 people homeless. The cost of the fire damage totaled 8 million gold pounds.<sup>20</sup> This incident alone paralyzed the economic life of the entire Macedonian region. In addition, the damages to the Greek economy caused by the Entente naval blockade and the occupation of various Greek territories were estimated at 1,126,500,000 drachmae, including interest payments. Included were 611.1 million drachmae in damages to individuals and 515.5 million in damages to the state. To illustrate, the Greek navy lost one destroyer, sustained damage to two submarines and two gunboats, and eight more destroyers were severely damaged by the French and the British navies during the naval blockade period.<sup>21</sup>

After World War I, Greece requested total war damages of 4,922,788,736 gold Francs. However, in the Spa Conference, 5-16 July 1920, the Great Powers decided to provide to Greece 0.40% of total German repayments of war damages and 12.7% of total Bulgarian repayments. This decision meant that Germany Austria-Hungary and Bulgaria had to give to Greece the aggregate sum of 2,327,200,000 Gold Marks. However, by 1928, Greece had received only 37,300,800 Gold Marks, only 3,800,000 in cash, and the remaining 33,500,000 in products. Austria made no payments, Hungary provided some horses as repayments and only Bulgaria and Germany provided any repayments. The Great Powers were quite lenient on Bulgaria,

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<sup>18</sup> Emmanuel Tsouderos, "The Economic development of Greece," Paris, 1919, pp. 170-172.

<sup>19</sup> D.G. Papamichalopoulos, "Elefterios Venizelos and commercial shipping" (Athens 1964): p. 10; Greek Statistical Service, "Greek Statistical Review 1930," (Athens 1931); pp. 298-299.

<sup>20</sup> To Vima, 13-10-2002, p. 16, article code B13688S161, ID: 249267

<sup>21</sup> Yannis Delagrammatikas, *National Subjection in the years of division*, p. 23.

reducing the sum of Bulgarian war repayments from £90,000,000 to £20,000,000. This decision, however, was legitimate under the provisions of the Neilly Treaty of 1919.<sup>22</sup>

It was obvious that in spite of Greece's sacrifices during the 1915-1918 period and although the Venizelos government in Athens was the closest ally of the Entente, the Greek war damage repayments were not carried out. This happened in June 1920 when already during the January-May 1919 period and in spite of the fragile economic, social and political situation Venizelos had sent Greek forces in Ukraine to fight against the Bolsheviks in the Russian civil war which had started after the Russian revolution. The Greek campaign in Ukraine lasted between 1 January and 26 June 1919. The Greek participation with two divisions (23,351 men) was another waste of resources. It happened just as Greece was about to embark in its biggest struggle.

On 4 February 1919, Venizelos officially requested from the Entente powers to deploy Greek forces in Asia Minor and especially in the region of Smyrna, in order to protect the Greek populations in the region. Immediately, Italy and the US objected to the Greek request. France and Britain on the other hand supported Greece, each for very different reasons. Finally, after intensive diplomatic background talks the Entente Powers provided the green light for the Greek landings on Smyrna. However, the British immediately pointed out that Greece should not expect any assistance. According to Winston Churchill recollection:

On the 12<sup>th</sup> [of May] a third meeting was held. Signor Orlando ...was assured that the future destination of Smyrna would not be prejudiced by a Greek occupation. It was an emergency measure...Venizelos is entitled to plead that in going to Smyrna he acted as mandatory for the four greatest Powers. But he went as readily as a duck will swim. ...There could never have been any question of sending British, French or American troops except in symbolic detachments on such a mission. But Greek divisions were within swift and easy striking distance ...On May 15<sup>th</sup> in spite of serious warnings and protests from the British Foreign Office and War Office, twenty thousand Greek troops ...landed at Smyrna.<sup>23</sup>

Churchill demonstrates vividly that the Allies had no plans to provide any assistance to Greece.

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<sup>22</sup> Areti Tounda Fergadi, *The Foreign Policy of Great Powers in the Inter-war years* (Athens: Sideris editions, 2000), pp. 102-104.

<sup>23</sup> Winston Churchill, *The World Crisis-The Aftermath*, (London: Thornton Butterworth Limited, 1929), p. 366. Actually, the date that Churchill provides is wrong as the Greek troops landed on May 2<sup>nd</sup> 1919.

Greece was entering in a complex struggle. In Asia Minor, the Great Powers had opposing interests; in addition, the Turkish armed forces were not perished in World War I and still had adequate strength. Finally, Greece in May 1919 was extremely vulnerable across all aspects of life (social, political, psychological, military, financial and industrial). The risks were immense.

### **The Asia-Minor campaign (1919-1922) The Greek side: A nexus of tactical and strategic errors**

The defeat of 1922 is the outcome of many factors and the first one is associated with misinformation due to limited intelligence. On October 30<sup>th</sup> 1918, when the Ottoman Empire was forced to sign an armistice with the Entente, the provisions were for a small Ottoman Army. Thus, the new army would have 40,878 rifles, 256 artillery guns and 240 machine-guns. In addition, the vast territories of the pre-war Empire (2,410,000 square km) were to be reduced to 1,283,000 square km. <sup>24</sup> However, the Turkish army never complied with the armistice provisions. Thus, in January 1919, the army had in store 791,000 rifles, 4,000 machine-guns, and 945 artillery guns. As well, an additional number of static guns has to be added and the final number of artillery pieces totaled 3,133 deployed across the country. At least 1 million men were still available and fit for service and it is understood that in the vast areas of the Empire no Allied Commission could enforce the treaty provisions. Thus, it is clear that the Greeks underestimated the strength of the Turkish army. <sup>25</sup> In addition, Turkey enjoyed an immense geographical advantage similar to that of Russia. An immense inland which could allow Turkish forces to withdraw from their original positions and follow a strategy of in depth attrition of the enemy, which if constantly in attack, it would reach sooner or later its endurance due to extended supply lines and limited provisions. The geographical advantage would become even greater if the Turkish side followed the 'scorched earth policy' which Russians have used even from the era of the Napoleonic invasion.

Let us now turn to the economic aspects of the war and the ability of the Greek state to finance the war effort. Total public expenditure during the 1919-1923 period was as follows (in millions of drachmae): 1919: 403.6, in 1920: 442.6, in 1921: 521.6, in 1922: 472.1 and in 1923: 393.7. The military expenditure was as follows: 1919: 201.8 in 1920: 229.1, in 1921: 291, in 1922: 261.7

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<sup>24</sup> See: Lord Edward Gleichen, ed., *Chronology of the Great War 1914-1918* (University of Michigan: Greenhill Books, 2000), p. 174; E.J. Erickson, *Ordered to Die A History of the Ottoman Army in the First World War* (University of Michigan: Greenwood Press, 2001), pp. 203-212; M. Dural, *Century of Turkish Defence* (Ankara: Altay Group, 1994), p. 65.

<sup>25</sup> See: E.J. Erickson, *Ordered to Die*, pp. 204, 207-208; M. Dural, *Century of Turkish Defence*, pp. 64-65.

and in 1923: 165.4.<sup>26</sup> Defence spending in 1919 was 50% of total government spending; in 1920, it was 51.7%; in 1921, it was 55.7%; in 1922; it was 55.4%; and in 1923, it was 42%. The Venizelos government, between January 1919 and November 1920, provided 430.9 million drachmae to the army whereas the governments of the 'United Opposition,' between November 1920 and September 1922, provided 552.7 million drachmae; thus for the overall 1919-1922 period, Greek defence spending was 53.2% of total government expenditure. During World War I, the average ratio of defence / total spending was 96% for Russia; 90% for Britain, 86% for Germany; 83% for Italy; and 71% for France. Figures of 52% were in the pre-war Europe of the 1880-1910 period.<sup>27</sup> It is apparent that Greece underfinanced the war effort.

On 1 May 1919, the Greek army disembarked in Smyrna but behind the celebrations the clouds of catastrophe were gathering. The official Greek Army War History points out that:

When the Greek HQ arrived in Smyrna in May 1919, the army was in a problematic position due to the shortage of financial resources. Various formations have failed to pay army officers and soldiers from December 1918 and January 1919. The railway companies were threatening with termination of transportation of various goods due to the state's inability to pay the railway fares thus various suppliers terminated the deliveries of various goods. The situation was quite critical due to the shortage of financial resources.<sup>28</sup>

The limited funds affected all sort of supplies (ration, payments to soldiers, clothing, weapons procurement). In spite of the barriers caused by limited funds the majority of the people were celebrating the Megali Idea (=Μεγάλη Ιδέα=Grand Idea)!

The Treaty of the Serves, 10 August 1920, created the Greece of "Two continents and five seas" and practically created the vision of the Grand Idea. After signing the treaty and returning to Athens Venizelos, was welcomed: "all the bells of Athenian churches were echoing and ...101

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<sup>26</sup> G.B. Dertilis, *History of the Greek State* (Athens: Estia, 2006), p. B:1054. These expenditures were the combined figures of the Army Ministry and the Navy Ministry of the time.

<sup>27</sup> Niall Ferguson, *The Cash Nexus Money and Power in the Modern World 1700-2000* (New York: Penguin, 2002), pp. 44-45.

<sup>28</sup> See: "Re-supply and Transportations in the Asia-Minor Campaign (1919-1922)," *Hellenic Military History*, Hellenic Army General Staff, Athens, 1965 (republished 1993), pp. 64-68. The Grand Idea was the foreign policy goal of the Greek state throughout the 19<sup>th</sup> and early 20<sup>th</sup> centuries. The vision was to liberate all Greeks under Ottoman rule.

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artillery shells were given as a salute...Military music was played and the Athenians were cheering..."<sup>29</sup>

However, beyond the celebrations, a weak economic situation caused immense problems. In February 1918, Greece had signed three loan agreements with Britain, France and the US respectively with a total commitment of 750 million drachmae. An additional loan was signed in 1919 between Greece and Britain and France. The two states would provide additional loans of 100 million drachmae (50 million from each country). Thus, the Venizelos government, from February 1918 to November 1920, had secured 'on paper' a total of 850 million drachmae. However, in November 1920 when the United Opposition (of right wing parties) was in power, the Allies had actually provided very little. Britain has given the £6.5 million of a total of £12 million. The US had given \$15 million of a total of \$48 million, and France had not given anything. These loans were provided under very strict terms. Article 4 directed that until these loans were re-paid no additional funding could be given by the three states. Thus, if the financing requirements of Greek public finance were higher no additional sums would be forthcoming. In addition, the bilateral treaties stated that even if the Powers did not provide the loans, the Greek government was not allowed to find additional sources from international banking consortia. Greece was practically under the economic control of the three Allied Powers.

The Greek monetary authorities were initially optimistic. However, gradually they expressed concerns about the financing of the war. In order to find a solution, Venizelos attempted to finance the campaign in Asia-Minor, May 1919 to November 1920, with domestic resources exclusively. Thus, between September 1919 and November 1920, the government issued bonds of 1,300,000,000 drachmae. In addition, a state lottery of 300 million drachmae was issued. Total domestic public borrowing was 1.6 billion drachmae. From that, 1 billion came from the 'National Bank of Greece. The issuing of additional 700 million drachmae, however, created immense inflation pressures. To illustrate, in 1919, the inflation index was 323; in 1920, it was 351; in 1921, it was 398; in 1922, it was 636; and in 1923, it was 1,189.<sup>30</sup> It was clear that the home front could not sustain any extended war effort.

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<sup>29</sup> Alexandros A. Oikonomou, "Peter Protopapadakis", Athens, 1972, pp. 346-347.

<sup>30</sup> Xenophon Zolotas, *Monetary Studies* (Athens: Dimitrakos editions, 1932), p. 46. In addition, see the following: "Epitome History of the Asia-Minor Campaign 1919-1922," pp. 396-397; "The Trial of the Six Official Records" (Athens, 1976): pp. 515-517. Under the Gold Standard monetary regime the quantity of money in circulation in an economy was directly associated with the value of gold reserves in the country's central bank. If the money in circulation exceeded the gold reserves then inflationary pressures were created in the economy. This is exactly what happened during the 1918-1920 period. The National

After the defeat of Venizelos in the November 1920 elections and the return of King Constantine, the Great Powers of Britain, France, and the US decided to freeze all future loan payments to Greece from the 1918-1919 loan agreements. In addition, they continued to boycott the Greek bonds in the international financial markets. Any private banker would be warned off by the fact that Britain, France and the US did not buy these bonds. Under these circumstances, the only option of financing the war was via domestic resources. At that time, the Greek Asia Minor Army was in a difficult situation. According to the official history of the Greek Army, in November 1920 the Asia-Minor Army had 115,666 men (111,861 soldiers, 3,805 officers) with 285 artillery guns (115 field guns and 37 75mm mountain guns, 109 65 mm mountain guns, 24 120mm heavy guns) and 12 155mm howitzers. There was an immense shortage of shells of 65mm, as well as ammunition for the St. Etienne machine guns, and for the Lebel-type rifles. There were also problems with trucks, hospitals and telecommunication equipment.<sup>31</sup>

During the period of November 1920 to February 1921 (under the governments of Rallis and Kalogeropoulos) the daily cost for the Asia Minor Army was above the 3 million drachmae, and the Greek military effort was not yet at its peak level. In March 1921, the strength of the Asia Minor Army was almost equal to that of November 1920 levels (114,736 men of which 52,225 were first line soldiers, 1,267 were cavalry, with 260 artillery guns, and 636 machine guns). The Turkish forces at that time included 41,772 first line soldiers, 5,232 cavalry, 152 artillery guns and 296 machine-guns.<sup>32</sup> During the period from March to June 1921, the Greek side conducted a number of large-scale attacks in Bursa, Toumlou Bunar, and Afion Karahisar, resulting in immense territorial gains and victories. However, the Turkish forces were able to be redeployed further east and avoided Greek encirclements. Thus, the victories of this period, while boosted the morale of the Greek army at the tactical level, failed to crush the enemy at the strategic level.

During this period, the Greek military intensified its military procurement. Thus, between April and June 1921, the following defence articles were bought from France: 3,500 Manlicher type rifles, 20,000 Lebel type rifles, 150 machine guns, 40,000,000 ammunition rounds, and 500,000 artillery shells. The cost of the artillery ammunition exceeded the amount

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Bank of Greece (which at the time acted as a Central Bank) printed immense amounts of money initially anticipating the foreign loans. When the loan capital did not arrive then inflation was triggered and this trend continued when additional money printing occurred in order to finance the loans (bonds) which the government issued. It goes without saying that the high inflation created dissatisfaction and it was one of the reasons of Venizelos failure in the November 1920 elections.

<sup>31</sup> "Epitome History of the Asia-Minor Campaign 1919-1922," p. 97.

<sup>32</sup> Oikonomou, "Peter Protopapadakis" pp. 382-383; "Epitome History of the Asia-Minor Campaign 1919-1922," p. 131.

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of 45,000,000 French Francs (FF). In the same period, the Greek army confiscated 37 heavy guns, and 8 artillery batteries with Skoda made guns from Turkish army barracks under Allied control in Thrace and in Asia Minor, which, although partially destroyed, were fixed and operational again. In addition, another 54,000 men were sent to Asia-Minor with 1,000 heavy and another 500 light trucks, 250 hospitals, thousands of uniforms and additional food supplies. The Asia-Minor Army was strengthened further with an additional 19,503 Greeks from Asia Minor.<sup>33</sup> In June 1921, the strength of the Asia-Minor Army totaled 200,153 men (6,159 officers, 193,994 soldiers) with 63,639 animals (8,000 from Asia-Minor) and with 318 artillery guns.<sup>34</sup> On 15 July 1921, a great political-military conference took place with the participation of King Constantine, the Greek Prime Minister Dimitrios Gounaris and the Army High Command. In that conference, the Army High Command expressed immense reservations related to the progress of the campaign. While the Greek forces were victorious, the Turkish Army remained a threat. The more land captured made supply more difficult; thus the Greek army leaders were proposing that the advance should be stopped. One of the army leaders who endorsed the argument was the son of King Constantine Prince Alexander who was the Commander of the Second Army Corps. The army was pushing for a diplomatic solution.

However, Gounaris insisted that a diplomatic solution, although preferable if it was to guarantee Greek interests, had to come only after the enemy was destroyed in a decisive battle and this was the capture of Ankara. The army reluctantly obeyed the political leadership. Thus, a new offensive plan, this time for the capture of Ankara was developed. For the operations of August/September 1921, the Greek side deployed 120,000 men (77,060 first line soldiers) with 296 artillery guns, 684 machine guns, 2,084 sub-machine guns, 48,900 animals, including horses, camels and mules, and 18 airplanes. The army was supported by mobile ammunition depots each with 200 tons of ammunition. Each depot also included 1,000,000 rounds of rifle ammunition, 700,000 rounds of machine-gun ammunition, 1,200,000 rounds of sub-machine gun ammunition for, 3,500 artillery shells, 4,500 mountain artillery shells, and 1,000 heavy artillery shells. The army lorries covered 4,135,000 km and transported 49,940,000 okas (137,335,000 pounds) of supplies including ammunition, food, water, medical equipment and

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<sup>33</sup> Oikonomou, "Peter Protopapadakis," p. 400. According to the official records during the "Trial of the Six" from France Greece bought 165,000 shells of 65mm and another 150,000 for the 75mm artillery guns. In addition, the domestic Greek industry managed to converge, Krupp artillery shells to Skoda types and was also able to produce various parts of the St. Etienne, with a cost of \$17-18 drachmae per spare part while the imported spare parts had a unit cost of 80 drachmae. See: "The Trial of the Six Official Records," p. 336; "Operations June-July 1921", *Hellenic Commission of Military History / Army General Staff*, (Athens, 1964): pp. 4:24-26.

<sup>34</sup> See: "Epitome History of the Asia-Minor Campaign 1919-1922," pp. 183, 2; "Operations June-July 1921" pp. 25, 34.

other provisions. The total consumption of ammunition was rather low, just 28% of the overall quantity available.<sup>35</sup> The Greek attack against Ankara failed at the Saggarios river battle and by the end of September the Greek army retreated. However, even at that stage, the Greek side controlled an area of around 100,000 square km with a total population of 3 million, much larger than the 16,000 square km given to Greece for a five-year period under the Treaty of the Serves.<sup>36</sup> Between September 1921 and August 1922, the Greeks were involved in attrition warfare, which ended in complete catastrophe and total defeat. In September 1922, an armistice was signed in Mudania and the Greek campaign in Asia Minor ended.

The financing of the war effort remained difficult. In March 1921, the total revenues of the Greek state were 174,000,000 drachmae and from those 109,500,000 drachmae were given for the financing of the war effort (65,000,000 were military logistical support spending of, 36,000,000 were military procurement spending for new weapons, 3,500,000 were family support payments to the families of the soldiers, and 5,000,000 were medical expenditures and expenditures on Greek refugees from Turkish territories).<sup>37</sup>

Since the Allied states refused to provide the loans of the 1918-1919 period and refused to buy Greek government bonds in the international markets, in March 1921 the Greek Finance Minister Protopapadakis proposed that Greece should terminate the annual payments of 3.5 million gold pounds (£) to its external debt. He pointed out that similar decisions had been made by Serbia and Romania in 1918, as well as Bulgaria in 1921. However, the other members of the Cabinet vetoed the proposal fearing British and French reactions against Greek interests.<sup>38</sup> After this development on April 6<sup>th</sup> 1921, another money supply increase of a minimum 500 million drachmae was decided. The actual amount printed by the National Bank of Greece was between 550 and 625 million drachmae. Thus, in April 1921, the total monetary circulation was 1,597,000,000 drachmae and the gold reserves were only 1,200,000,000. The excess money supply fueled inflation and caused the drachma to depreciate against other foreign currencies.<sup>39</sup>

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<sup>35</sup> See: "Operations towards Ankara 1921, July 1921," *Hellenic Commission of Military History / Army General Staff*, (Athens, 1965): part A, pp. 5:12-13; "Resupply and Transportations in the Asia-Minor Campaign (1919-1922)," *Hellenic Military History*, Hellenic Army General Staff, (Athens, 1965 (republished 1993)): pp. 246, 303; K. Avtziannidis, "Asia-Minor Campaign 1919-1922," *War Monograph series* no.11, p. 66. We point out that 1 oka is 1,280 grams.

<sup>36</sup> See the statement of Prime Minister Gounaris in the Parliament (2 October 1921), which is referred to in Oikonomou, "Peter Protopapadakis," p. 436.

<sup>37</sup> Oikonomou: "Peter Protopapadakis," p. 404.

<sup>38</sup> *Ibid.*, p. 406.

<sup>39</sup> *Ibid.*, p. 406.

Other banks as well as the National Bank of Greece financed the war effort. However, there were problems here as well. The most notorious case was that of the Bank of Athens who initially accepted the government's offer to provide foreign currency reserves of 7.5 million French Francs in order to finance partially an order worth of 33 million FF for defence procurement. However, by 2 June 1921, the Bank had given just 1.5 million FF from its reserves and informed the Ministry that the remaining amount would be granted in Greek drachmae. The Ministry of Finance immediately asked for a complete and in depth investigation of the bank's foreign reserves. It was found that the bank had foreign reserves of 13 million FF and the General Manager was dismissed and prosecuted. Under new management, the additional sums were provided to the Ministry.<sup>40</sup>

On 1 July 1921, the Greek government signed three new loans with the National Bank of Greece. The first was for 40 million FF, the second was for 125 million drachmae and the third was for 150 million drachmae. All loans had a 6% interest rate. By September 1921, when the Ankara campaign was lost, the Ministry had already used all the resources of the April 1921 loan as well as the 150 million drachmae loan in order to finance the war effort.<sup>41</sup>

After the Ankara campaign, the Army needed more weapons and ammunition, in spite of the low consumption of the June-September period. Thus, on 18 November 1921, the Army requested that 200,000 rifles with 1,000 rounds each be imported from Italy for a price of 392 Italian lire each, 2,500 machine guns with their ammunition for a price of 9,000 Italian lire each, 20,000 75mm shells, and 6,000 105mm shells. The total cost of these orders exceeded the amount of 110,000,000 drachmae and the Finance Ministry did not have the funds.<sup>42</sup>

In order to finance the request, an attempt to have access to foreign loans was made and this time the request was successful. Thus, on 22 December 1921, an agreement was signed between Great Britain and Greece that changed the policy of the Powers for the first time. It was decided that Britain would not provide the remaining loan of £5.5 million from the 1918-1919 period but a new loan of £15 million would be granted. While Britain changed its policy, France and the US refused to finance the Greek state. However, the British loan was equal to 412.5 million drachmae, an adequate amount for the financing of the new orders.<sup>43</sup>

According to Finance Minister Protopapadakis, total government spending in 1921 was 1,399,886,000 drachmae of which 326,000,000 were military spending (207 million for the Army

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<sup>40</sup> Ibid., pp. 410-412.

<sup>41</sup> Ibid., pp. 408, 434.

<sup>42</sup> Ibid., pp. 435-436.

<sup>43</sup> "The Trial of the Six Official Records," pp. 518-519.

Ministry and 119 million for the Navy Ministry). Thus, total civilian spending was 1,173,000,000 drachmae. However, the yearly actual annual civilian spending was just 837,000,000 drachmae and the remaining 336,000,000 were given to the army. Total defence spending in 1921 reached 662,000,000 drachmae. In November 1921, the army expenditure reached 43,862,198 drachmae and in December it was 56,132,202 drachmae.<sup>44</sup> Throughout the period, the exchange rate between the pound and the drachma depreciated. Thus, in October 1920, it was £1=35 drachmae, but by December 1920, it was £1=49 drachmae. During 1921, the average exchange rate was £1=70 drachmae.<sup>45</sup>

Nineteen Twenty two was a tragic year. In the 1922 budget, total revenues were expected to reach the level of 1,719 million drachmae whereas total expenditure were expected to reach the level of 3,397 million drachmae with an annual deficit of 1,678 million. The tactical expenditures for the Ministries of Army and of the Navy were expected to reach the level of 526 million; however total defence spending were expected to be 1,712 million drachmae. In order to cover the deficit, Protopapadakis took two approaches. First, he increased taxes by 685 million drachmae, a tactic well known to economists. The second method, however, had never been tried before. was a global prototype unknown in economic history. The Ministry decided to dichotomize the currency expecting total revenues of 1,500 million drachmae. The measure was marginally passed in the Parliament with 151 votes in favor with 148 against.<sup>46</sup> The decision to dichotomize the currency was made on 25 March 1922, the day of Greek independence. At that time, Greek bank notes had the Royal Crown (on the one end) and the figure of George Stavros, the founder of the National Bank of Greece (on the other end). As the currency was dichotomized, citizens had to keep the part with the Stavros and give the other half, with the crown, to specific places all across Greece. Thus, a banknote of 10 drachmae would be split in two fives.

When this measure was announced, the public panicked and a run on the banks began as everyone attempted to withdraw their savings from the banks. In the Athens region (Attica) alone, deposits worth 35 million drachmae were withdrawn. However,

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<sup>44</sup> Oikonomou, "Peter Protopapadakis," pp. 513; "The Trial of the Six Official Records," p. 525.

<sup>45</sup> Spyros Markezinis, "Period 1920-1922," *Political History of Modern Greece* (Athens: Papyros publications, 1973), p. 1:282.

<sup>46</sup> Oikonomou, "Peter Protopapadakis," pp. 458-459; Spyros Markezinis, "Period 1920-1922" pp. 1:272, 283-285.

the public soon realized that this was a loan to the government and the money would be repaid at a later date. When that was realized an opportunistic behavior occurred by the traders who collected the money. What happened was that if hundred citizens were depositing 1,000 drachmae (10 drachmae bank notes each), the traders would give 100 half bank notes to the public and keep the other 100. However, they would give only 30 bank notes to the Ministry of Finance and reveal the rest later, masking them as their “forgotten reserves”. In total, during the period 1 March 1921 to 8 May 1922, the total government revenue from loans was 1,610 million drachmae. From that amount, only 245 million were from the dichotomized currency (when the Finance Ministry expectation was for 1,500 million). To these sums  $\Sigma\tau\omicron$  an additional tax income of 633,327,895 drachmae was to be added by the ‘old Greece,’ and another 27,180,843 drachmae from the ‘Smyrna Fund,’ money from the Greeks of Asia Minor. Thus, total revenues for the period March 1921-May 1922 were almost 2,270,500,000,000 drachmae.<sup>47</sup>

Although total tax revenue figures seem high the needs were even higher. To illustrate, in January 1922 the Asia Minor Army requested massive funds. In a telegram dated 31 January 1922, the Army Commander pointed out that while the soldiers wages were 8 million drachmae, the government had provided only 3,210,000 drachmae. In addition, he pointed out that the Army had a total debt of more than 70,000,000 drachmae.<sup>48</sup> With a second telegram, dated 12 February 1922, the Army Commander requested 815,000 drachmae for various payments: 70,000 for milk, 230,000 for military postal service, 400,000 for transportation cost, 80,000 for railways transport and 35,000 for bread and wood. There was an additional request for wages payment and for an additional sum of 170,000 Turkish lire in order to cover the cost of spare parts for local cars used by the army.<sup>49</sup> In order to meet the Army’s requests, in January 1922, the Ministry of Finance spent 30,686,481 drachmae and in February spent 54,933,216 drachmae.<sup>50</sup> In the last months of the war, the total available reserves in the Ministry of Finance

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<sup>47</sup> “The Trial of the Six Official Records,” pp. 511-513.

<sup>48</sup> Telegram No 4949/29 (Confidential number 227), in Christos Nerantzis, *The Epos of Asia Minor 1919-1922* (Athens: Morfotikos Kosmos editions, 1987), p. B:300.

<sup>49</sup> Telegram No 4297 (Confidential number 247), in Christos Nerantzis, *The Epos of Asia Minor 1919-1922* p. B:301.

<sup>50</sup> “The Trial of the Six Official Records,” p. 525.

were 1,255,000,000 drachmae all from the dichotomized currency policy.<sup>51</sup> The exchange rate of the drachma deteriorated further to £1=97 drachmae (February 1922).<sup>52</sup>

### **The Turkish side: Tactical inferiority as opposed to strategic advantages**

On the Turkish side, any weaknesses were superficial. As already pointed out, Turkish levels of available arms were higher compared to the Armistice of 1918 and the Turkish army enjoyed immense tactical advantages derived from their vast territory. In addition, it had an immense population with adequate industrial strength, and a moral certainty. However, above all it possessed immense diplomatic skills which could transform the diplomatic position of the Great Powers viz. a viz. Turkey. Turkey managed to gain the support of Russia, France and Italy. This gave the Turkish side access to immense financial and military resources. The developments are analysed below:

#### *The Russian-Turkish relations 1919-1922.*

The same day the Treaty of Sevres was signed, (10 August 1920, the Turkey of Kemal Ataturk received its first external economic aid from Soviet Russia. With the first Turkish-Soviet agreement, the Communist Russia provided 100,000 gold Osman (pre-war) lire, as well as 6,000 rifles, more than 5,000,000 rounds of ammunition and 17,600 artillery shells. In September 1920, Russia provided 1,000,000 gold rubles (200.6 kg of gold bars).<sup>53</sup> In November 1920, Soviet aid was interrupted but started again in December. In January and February 1921, the USSR provided 1,000 shells, 2,000 tubs, 1,000 gun-powder pieces, 4,000 grenades and 4,000 bullets to Turkey. Although Russia and Turkey were bitter enemies during World War I under the czarist

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<sup>51</sup> Ibid., pp. 511-513. At this point we have to mention the high inflation throughout the 1914-1923 period. This was as follows: 1914=100, 1915=121, 1916=167, 1917=289, 1918=382, 1919=342, 1920=359, 1921=421, 1922=737, 1923=1,213. See: Spyros Markezinis, "Period 1920-1922" p. 1: 280. According to other sources the total revenues from the currency dichotomy were 1,300 million as opposed to the figure of 1,500-1,550 million. See: Ibid., p. 1:294, footnote 682. The average exchange rate between the drachmae and the £ during the 1912-1919 period was £1=25 drachmae. The average exchange rate in the following years was as follows: 1920/21: £1=34.75 drachmae, 1921/22: £1=70.91 drachmae and 1922/23: £1=166.5 drachmae, 1923/24: £1=296.7 drachmae. See: Delagrammatikas, *National Subjection in the years of division*," p. 22.

<sup>52</sup> Markezinis, "Period 1920-1922," p. 1:282.

<sup>53</sup> Here we use the term USSR or Soviet Union although the official name at that time was Russian Socialist Republic. The USSR was officially established on December 30 1922.

regime, the new Russian communist regime could not tolerate the Greek involvement in the Crimea with the British and the French. In the eyes of Lenin, Greece was a pawn of British foreign policy and a strong Greece which would dominate Eastern Mediterranean would act to protect British interests in the region. Thus, Turkey had to be supported in her struggle against Greece.

On 16 March 1921, Turkey and Russia signed a new agreement. The Soviet side provided 10,000,000 gold rubles in four installments. The first 4 million was granted in April 1921. The second 1.4 million was granted during the months of May and June 1921. The third Russian cheque for 1,100,000 rubles was issued in November. Finally, the fourth installment of 3,500,000 rubles was provided in May 1922. Thus, between 1920 and 1922, total Soviet aid to Turkey amounted to more than 10,000,000 gold rubles, equal to almost 80,000,000 paper Turkish lire (TL). In order to understand the importance of this economic aid please note that the total Turkish 1920 state budget was 63,018,354 Turkish lire and the 1921 budget was 79,160,058 Turkish lire. Turkish defence expenditure in 1920 was 27,576,039 TL and in 1921 it was 54,160,058 TL. Soviet money payed the wages of the Turkish soldiers, allowing for the increase of the Kemal Ataturk army as gold coins were preferable to paper TL.

In addition, by July 1921, Soviet military aid in kind was massive. Communist Russia supplied 33,275 rifles, 57,986,000 rounds of ammunition, 327 machine-guns, 54 artillery gun, 129,479 artillery shells, 1,500 swords, 20,000 gas-masks and other military equipment. In the battle for Ankara, August to September 1921, the Turkish military deployed 60,000 men, 255 sub-machine guns, 515 heavy machine guns, 167 artillery guns. Twenty-five percent of Turkish sub-machine guns and 33% of their artillery were Russian made. There were territorial re-adjustments as well. With the 16 March Treaty of 1921, Turkey seized the Armenian territories of Kars, Ardahan and Arvin a total size of 23,600 square km. with a population of 572,000 citizens. In just one week, beginning on 23 March 23, Turkish forces systematically exterminated the Armenian population. By April, 69,000 Armenians had been executed, forcing the USSR to intervene but with no concrete results. On 25 May 1921, while bilateral Russian-Turkish relations were frozen, Ankara asked for additional economic aid of 50,000,000 gold rubles. In addition, the Turks requested technical aid from Russia for the construction of powder mills accusing the Russian side of not having given them any aid!The Soviet response came on 29 May and it was incredible. The Soviets accepted the Turkish requests and promised to review them as soon as possible! On 21 October 1921, Turkey received 2 destroyers, the *Jivoy* and the *Yutiy*, from the old Russian Imperial Navy at the port of Trapezus. Between 29 December 1921 and 29 April 1922, the Soviets provided Turkey with 26,641 artillery shells, 579,000 bullets and canisters, an unknown number of rifles and the machine tools for the construction of an

ammunition factory. Until the end of the war, in August 1922, the USSR provided Turkey with almost 300,000,000 bullets. This number was high since throughout the 1919 to 1922 period the Turkish army had a total of 600,000,000 bullets (with a low consumption of just 10,000,000).<sup>54</sup>

Another important aspect of the Soviet-Turkish military cooperation is found in a Turkish document dated 4 July 1922. This document mentions that a secret naval cooperation agreement was signed and came into force on 4 February 1922 between the two states when four Turkish navy officers went to Russia for training. According to the document, after four months of co-operation, five torpedo tubes were constructed with a number of torpedoes. On 26 June 1922, the tubes and the torpedoes were sent to Constantinople to sink two Greek battleships, *Averoff* and *Kilkis*. However, the plan fell through as Greek intelligence was aware of it and the ships left the port.<sup>55</sup>

### *The French-Turkish relations*

A few days before the signing of the Soviet-Turkish agreement, another was signed between Turkey and France on 10 March 1921. With this treaty, Turkey gained important military and economic aid. France decided to withdraw from Asia Minor with one important provision. All French arms would be delivered to Turkish forces instead of being re-shipped back to France. This was accepted from the French because it would save on transportation costs. Thus, France gave Turkey 80,000 rifles, 10,000 uniforms, 2,000 horses and 1,505 boxes with war material. According to a different source, France only left the following material in the town of Adana: 4,489 Turkish rifles with 574 ammunition boxes, 3,865 German rifles, 1,370 large caliber rifles, 10 Manlicher rifles, 247 Mauser ammunition boxes, 101 Gra-type rifles ammunition boxes, 577 Schneider-Creusot rifle ammunition boxes, 6 additional ammunition boxes, 10 aeroplanes, 10 aeroplane shelters, 4 aeroplane engines, and 3 telecommunication stations. On 15 March 1922, the Ottoman steamship, *Erigund Reis*, flying the French flag, transported the following material from the Ottoman government from Constantinople to Kemal Ataturk escorted by French navy ships: 48,000 rifles, 490 boxes of ammunition, 95 sub-machine guns, 148 boxes of bombs, 20 artillery guns, 1,980 artillery shell, 8,000 pistols, 18,000 bullets, 7,000 pistols of the former Montenegro Army, 9,000 bullets, 7,000 swords, 20,000

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<sup>54</sup> For the Soviet aid to Turkey, see: Andreas H. Zapantis, *The Greek-Soviet Relations 1917-1941*, (Athens, Estia publications: 1989), pp. 70-71, 75, 79, 81, 85, 107;; Neoklis Sarris, "The Asia Minor Campaign and Smyrna as it has not been historized until today," *Paron* special edition, 18 September 2009, pp. 2-17 especially pp. 10-11.

<sup>55</sup> Nickolaos Papadopoulos, "Turkish Documents on Asia Minor Catastrophe," (Athens, 1985): pp. 93-95.

bayonettes, 280 telescopes of the former German army, 1,440 kits of benzin, 850 saddles.<sup>56</sup> According to a third source, French military aid was granted in two parts. The first delivery occurred during May 1921 and consisted of 48,000 Mauser-type rifles with their ammunition, 20 Skoda artillery guns with 148 ammunition boxes, and 95 machine guns. The second part of the aid arrived in the summer of 1922, just before the great August Turkish attack and included 1,500 machine-guns with 400 army vehicles which provided massive mobility to the Turkish army.<sup>57</sup>

### *The Italian-Turkish relation*

The Turkish-Italian agreement was signed on 13 March 1921. Italian aid between June 1921 and June 1922 was similar to that of France. A document from the Turkish archives (Number 10162 of June 3<sup>rd</sup> 1922) indicated that three Italian steamships escorted by Italian navy ships were expected to deliver the following material to the port of Constantinople on 10 June. The first ship delivered 24,000 rifles, 37 sub-machine guns, 124 boxes with 8,000 uniforms and 22,000 pairs of boots. The second ship delivered 40 artillery guns, 32 machine guns, 58 sub-machine guns, 190 kits of benzin. Finally the third ship delivered 95,000 rifles with their bayonettes, 58 artillery guns, 9,000 uniforms and 960 kits of benzin.<sup>58</sup>

### *The Turkish Home front*

Turkish economic and industrial mobilization played an essential role in the war. The Turkish defence industry, from 1908 to 1912, produced 555,000,000 bullets. After 1918, all Constantinople arms factories were transferred to other places including Ankara, Kirikalle, Elmantag, Etimesgut, Gazi, Keskin, Mamac, Kayias and partially to Eski-Sehir. Nineteen factories supported the Turkish forces during the war years, producing bullets, artillery shells, pistols, rifles, and light artillery. Thus, the Turks, while defeated in the First World War, still retained important industrial facilities which could supply the army with basic weaponry and

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<sup>56</sup> For the French aid to Kemal Ataturk, see: Constantine G. Zavitzianos, "My Memoirs from the Historic dispute between King Constantine and Elefterios Venizelos as I lived it (1914-1922)" (Athens, 1947): p. B:116; Neoklis Sarris, "The Asia Minor Campaign and Smyrna," pp. 2-17 especially pp. 10-11; Nickolaos Papadopoulos: "Turkish Documents on Asia Minor Catastrophe," pp. 60-61; Jacob Aktsoglou, *Chronicle of the Asia-Minor War* (Athens: Trochalia, publications, 1998), pp. 276-277.

<sup>57</sup> Constantine Papadimitriou, "Organization and Command of the Opposing Armies. Preparing the defeat," in *Military History-Great Battles Series No. 8* (Athens: Periscopio editions, November 2002), pp. 40-49, especially p. 46.

<sup>58</sup> Nickolaos Papadopoulos, *Turkish Documents on Asia Minor Catastrophe*, pp. 79-80.

ammunition.<sup>59</sup> In contrast, the Greeks had only 1 major factory, the “Kalikopeion of Athens” (Bullet factory of Athens).<sup>60</sup>

### **Strategic Options of the belligerents**

When the Greek Turkish war began, Greece had a tactical superiority in terms of numbers and a moral superiority stemming from the Greek victories against Turkey and Bulgaria in the Balkan Wars of 1912-1913 and against Bulgaria in 1917-1918. However, Greece was divided by the dispute between Prime Minister Venizelos and King Constantine. The Venizelos vision of liberating the Greeks of Asia Minor at that particular moment was an extremely dangerous adventure. A more cautious approach was required, as Greece did not have the financial, human, technological and industrial power to pursue a war in Asia-Minor. Yet Venizelos insisted that the timing was perfect since both Ottoman Turkey and Bulgaria were members of the Central Powers and after the war the victorious Entente would back Greek interests. Thus, even if Greece did not have the strength for a campaign in Asia Minor, Allied aid would tip the balance of power in Greece’s favor. He also pointed out that a wait-and-see strategy was unacceptable because of the Turk policy of extermination of other vanquished populations of the Ottoman Empire, mainly the Greeks and the Armenians. Thus, Greece had a moral and humanitarian obligation to intervene.

When the right wing parties returned to power in November 1920 and the King returned as well after the sudden death of King Alexander, the Greek army under the Venizelos government was deep inside Asia Minor. At that stage, the right-wing conservatives and the King could have stopped the offensive strategy, established a strong defence line, and sought a diplomatic solution. The problem is that when they came to power, they continued to follow the Venizelos catastrophic 1915 policy of offence! No one has yet provided an answer as to why the Conservatives of the 1920-1922 period followed a policy they believed to be wrong. One possibility is that, in November 1920 after the territorial gains in Asia Minor, the Venizelos doctrine could not be revoked without damaging the morale of the army and nation. In addition, it would have been treasonous not to continue the policy of the previous government at that stage when the army was victorious. An additional argument, which has been put

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<sup>59</sup> In 1908, the Turkish army had a stock of 900,000 rounds of ammunition. New orders for 310,000,000 bullets were given to German firms during the period 1908-1912. In 1912 Turkish stock was increased to 886,000,000 due to imports and not due to domestic production. See: M. Dural, *Century of Turkish Defence*, pp. 64-67.

<sup>60</sup> Oikonomou, “Peter Protopapadakis,” p. 400.

forward, stresses the fact that Britain needed a strong Greek presence in Asia Minor to force Turkey to abandon the territories of Kirkuk and Mosul to the new state of Iraq, concentrating its attention in the West. Thus, the British could benefit from the oil reserves of the region. However, whatever the motive of the Greeks in continuing the Venizelos policy was a critical error as it failed to gather the support (military, economic, diplomatic) of powerful foreign powers.

Turkey realized that only with the support of Great Powers could the 1918-1920 losses be reversed. Thus, Turkey gradually but steadily created a diplomatic understanding with the powers opposing the British interests in the region, including the USSR, France and Italy. In addition, Turkey even attempted to bring Bulgaria into the conflict due to its size. The immense armaments available to Turkey from the USSR, France and Italy as well as from the domestic industry allowed it to make plans for rearming the Bulgarian side and starting another Greek-Bulgarian war. According to Turkish secret documents, dated 10 April and 6 June 1922 (Numbers 9705 and 79391), in the city of Dede Agatz (Andrianople) there were only 6,000 rifles with 2 ammunition boxes in the Grand Mufti residence, whereas in other locations of the town there were 4,000 additional rifles. In Thessalonica, there were 18,000 rifle, 4,000 pistols and 3 ammunition boxes. In the town of Tsatalza there were another 10,000-12,000 rifles with 5,000 pistols. With this weaponry, a joint Bulgarian-Turkish force would be equipped against the Greeks and the Bulgarians could recapture Macedonia.<sup>61</sup> The Turkish strategic planning was brilliant at the tactical level. The Greek army would be allowed to penetrate deeply into Anatolia, weakening the extensive supply lines and thinly spreading its personnel across this vast territory. At the strategic level the Turkish alliance with Russia, France, Italy and even Bulgaria would seal the Greek fate, to irreversible catastrophe.

### **Concluding remarks**

The Balkan wars of 1912-1913 transformed Greece but failed to create a strong state. The country, although victorious, remained fragile. The European developments after August 1914 created a very complex environment with Greece surrounded by Central Powers and without any real assistance from the Entente. At that stage, the protagonists of national division, namely King Constantine and Venizelos, both followed very unrealistic strategies. The former insisted on the neutral status of Greece even after the Allied landings in Thessalonica and the invasion of the German and Bulgarian forces in Greek Macedonia. It should have been obvious that even

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<sup>61</sup> Nickolaos Papadopoulos, *Turkish Documents on Asia Minor Catastrophe*, pp. 66-69 and 81-83.

if Greece wanted to remain neutral, the Entente and Central Powers wanted Greece to enter the war in line with their own agendas or, alternatively, they wanted to occupy parts of the country to further their military aims. Thus the King's vision of neutrality was a fallacy.

On the other hand, the Venizelos vision was also impossible. The Greek state was weak and the Balkan wars, although victorious, demonstrated this weakness. Macedonia, Crete and the Aegean islands were liberated from the Ottoman rule only with the support of Serbia, Montenegro and Bulgaria. The victory was the outcome of alliances and thus a campaign inside the Turkish mainland in Asia Minor was doomed to fail without any regional assistance or the support of the Great Powers.

The internal divisions of the 1915-1917 period made Greece weaker and, although in 1918 it was victorious, in reality it had abolished all possible economic or military advantages. Thus, by 1919, it did not have the military strength or the economic resources to finance another long war this time inside Asia Minor without international support.

The Greek-Turkish war of 1919-1922 was formally ended with the Lausanne Treaty of 1923 between the two states. As a result, an exchange of populations occurred between the two states. One point three million Greeks from Asia Minor went to Greece leaving their homes and 500,000 Muslims were driven from Greece to Turkey leaving their belongings behind. The immediate result of the war was that the Venizelos supporters who gained power on 1 September 1922 put eight eminent Greek political and military individuals in the 1920-1922 conservative governments on trial by . Six were executed on 15 November 1922 as traitors to the nation. The Trial of the Eight remained in Greek history as the 'Trial of the Six.' The Greek Supreme Court in October 2010 decided that the Six were not traitors and revoked the court decision of November 1922.

The Greeks of Asia Minor who came to Greece as refugees in 1923 blamed the King and the Conservative governments of 1920-1922 for their misfortune. Quickly, the refugees, inundated with communist propaganda, had to endure the additional sufferings of the global economic crisis of that year, which resulted in the Greek default of 1932. It was mainly the refugees of 1923, most of them Greeks from the old territories, who entered the Communist ELAS resistance movement during the German occupation of Greece (1941-1944) and later fuelled the civil war of 1944-1949 against the Monarchists. The great historical paradox, of course, is that the Greeks of Asia Minor who later joined the communists became victims of the actions of Communist Russia.

The greatest beneficiary of the Greek-Turkish war was the arm dealer Sir Basil Zaharoff (1849-1936). Zaharoff had a close relationship with both King Constantine and Prime Minister Venizelos. He was the one who behind the scenes pressed the British government to change its policy and finance Greece in December 1921. According to one source, Zaharoff's personal gains included 200-500 million gold German marks.<sup>62</sup>

The Greek-Turkish war of 1919-1922 was the outcome of global geopolitical developments. After World War I, Britain, France, Italy and Russia all had different geopolitical interests in the Eastern Mediterranean and in the Middle East. For Britain, the primary objective was to secure as many as possible of the oil reserves of the Middle East and for this reason British domination in Iraq, Persia, Saudi Arabia and the Levant was a primary foreign policy objective. On the other hand, France had similar interests in the region and its domination over Syria was not enough. Italy controlled the Dodecanese islands and had a special interest in Eastern Mediterranean and the Adriatic. For Italy, Corfu island was an important geographical asset in the Adriatic. Thus, Italy objected the ideas of a 'Greater Greece' and actually briefly occupied Corfu in 1923. Communist Russia on the other hand also objected the idea of a 'Greater Greece' since Greece was a British pawn in the Soviet eyes. Thus, the Greek domination of Eastern Mediterranean would block the naval routes of Russia to the south. The US was also against the idea that Greece would become a dominant geopolitical player in the region. In the US case, the peoples of the multi-ethnic Ottoman Empire should have the option to decide their future under the self-determination principle. In this environment, the Greek leaderships of Venizelos and the Conservatives attempted to safeguard Greek interests. After World War I, Turkey was on the losing side. Unfortunately, for Greece, the effort required massive external economic funding and the presence of a defence industry neither of which existed. The efforts of internal mobilization were limited and the inability to mobilize and exploit the human and financial resources of the Greeks of Asia-Minor was an immense miscalculation. The human cost of the tragedy was immense for both Greeks and Turks. The war verified the ecclesiastical assertion: *Vanitas vanitatum et omnia vanitas* (all is vanity).

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<sup>62</sup> F.W.v. Oertzen, *Die Menschheit in Ketten* (Oldenburg: Kraemer & Hansen, 1935), pp. A:411-418.

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