

WEATHERING THE STORM: THE PERFORMANCE OF THE LARGEST INDUSTRIAL FIRMS IN GREECE DURING THE GREAT DEPRESSION

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On the basis of a new data set constructed from company balance sheets and profit and loss accounts, this paper examines the performance of the top 50 industrial joint stock companies in Greece which survived the Great Depression. This is the first analysis ever of the financial accounts of big business in Greek industry during this historical period. Firstly, we examine through descriptive statistics the trends in basic indicators (and ratios for assets, profits, leverage, liquidity, solvency, and efficiency) during the decade 1927-1936. Secondly, on the basis of panel data analysis we test for differences before (1927-1929), during (1930-1933) and after (1934-1936) the crisis and search for those financial characteristics that allowed certain firms within our survivor cohort to perform better than others during the period under review.

The main findings are that: 1) The Great Depression had a rather mild impact on the performance of big business in industry. 2) The level of leverage throughout the period was lower than the one anticipated in other economies and prescribed in theory. For our cohort followed from the beginning a leverage policy which was “as if they were” in a crisis environment. Also, leverage (financial or operating) did not produce the expected benefits (i.e. higher capital investment) even at periods of increasing industrial profits as in the post crisis period. 3) The best performers had high liquidity and made prompt interest payments. In the last analysis, there was not a reversal in profitability for big business, but the sliding down into labour intensive practices, something enhanced by the import substitution environment cultivated at a time of effective de-globalization.

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Key words: Greece, big industry, joint stock companies, survivors, financial statements, business performance, leverage, panel data analysis.

The full working paper can be found [here](#).