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**ECONOMIC CHANGE AND STATE STRATEGIES:  
GREECE IN TIMES OF GLOBALIZATION AND EUROPEAN INTEGRATION,  
1993-2010**

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**Abstract:** During the last two decades, a new economic model emerges in Greece, one that relies on the principles of the free market, as well as on the unconditional growth of the tertiary sector of the economy. This model is fostered by policies emphasizing efficiency and regulation of distribution and is framed by a changing role of the State, as the latter is in need on the one hand, to rationalize the function of the economic system in the context of the Single European Market and E.M.U. and on the other hand, to legitimize its strategic decisions and choices towards globalization. The aim of the paper is to discuss these political-economic developments and also to assess and elaborate on the underlying rationality of the Greek state. Having done so, we support the view that today’s “new economy” in Greece is the outcome of a cohesive, pragmatic and integrated national strategy to “open up” that unfolded in different areas of state intervention, but yet failed to take into account historical particularities and complexities of the domestic structures.

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## 1. Introduction<sup>3</sup>

During the last two decades, a new economic model appears in Greece, one that is based on the tertiary sector of the economy as well as on the principles of the free market and thus is being implemented through structural policies targeting effectiveness and regulation of distribution, rather than equality or justice. The purpose of the present paper is twofold: It is first, to analyze economic change and second, to elaborate on the role of politics, policies and strategies of the state on the construction of a new development mode. Considering this, reasons of this economic crisis and possible defects of state policy remain out of the scope of this essay, even though some aspects are inevitably revealed.

The overall theoretical framework rests on contemporary ideas in economic geography and political economy, regarding geographies of state power, territorial governance and the political organization of space<sup>4</sup>. According to our central hypothesis, the state aims at the rationalization of the national economic and political system, in order to allow reproduction of its own subsistence and power, in a specific geographical and historical context. In the Greek case, this context is set by European integration and the E.U.. Our main argument is that the Greek state has been developing concrete strategies in order to cope with the challenges of globalization and integrate into the “new economy”, while at the same time avoiding the possibility of a political or economic crisis within. In this framework, support of prevalent social groups inside the national formation, as well as balanced relations with the European partners in the context of a supranational formation have been both essential to achieve economic change.

The structure of the paper follows a brief historical overview of main political developments in Greece after the Maastricht Treaty, while the focus rests on analyzing decisions, tactics and policies to promote economic-political change in the context of the European integration. Particularly, we examine the underlying logic of economic liberalization, the main scope of actions and processes, serving structural adjustment to a new global environment, and finally political arrangements, building “social consensus” around a new way of development. Having done so, it becomes clear that state strategy unfolds in different areas of intervention, such as in the management of the national economy, deployment of domestic factors, international trade and external relations as well as public governance and social justice.

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<sup>4</sup> For an overview see Agnew (2013), Brenner et al. (2003).

## 2. Historical overview: Politics, policies and the real economy

The aim of the following overview is a brief explanation of the main agenda in Greek politics, while emphasizing on matters of economic development. The period of study commences with the creation of the E.U. and the re-election of PASOK (1993) and ends with the aggravation of economic crisis and the signing of the first Memorandum between the Greek government and the E.F.S.F. (2010). By and large, this is a period of Greece fully capturing the outward-looking stance and experiencing great political, economic and social transformation (Voulgaris, 2008, Kazakos, 2001). Precisely, three distinct sub-periods can be identified:

- ***The opening 1993-2000.*** Right after the Maastricht Treaty, the economic strategy focuses on fiscal consolidation so as to satisfy convergence criteria and “get a ticket” to the Eurozone which is at the time under formation. A new supranational currency and a place among the strongest and most competitive economies of the E.U. is an attractive and most interesting prospect for growth, especially for the socialist party of PASOK, as soon as it comes into power, with the authority of K. Simitis<sup>5</sup>. An ideological shift is evident concerning the economic policy of these years, as mainstream populism in PASOK gives way to Europeanization and modernization visions and ideas. As a consequence, a new paradigm for development, one that is consistent to the rules of the free market as well as to the principles of international competition emerges, in the frame of the Single European Market. In the real economy, deteriorating performance of the primary and secondary sector in international trade reflects the fast growth of the tertiary sector of the economy that occupies gradually the most creative and productive forces of capital and labor. Numerous public projects and private investments change the landscape all over the country’s territory and offer an extra impetus on the growth of services, especially as European regional policy is becoming more and more intense and targeted on cohesion.
- ***Some good years more 2001-2004.*** In the first half of the 2000’s the growth of GDP does not only remains constant but also it reaches the highest levels since the 1970’s. At this time the country is successfully entering E.M.U. and adopts the euro. The preparation for the Olympic Games of Athens (2004) as well as the integration to the core of the E.U., financial liberalization and extensive capital inflows, all favor investment and consumption within and help to sustain economic growth, while at the same time, the fact that the state is loosening its fiscal stance, in combination to widening current account deficits, persistently high inflation, and other structural inefficiencies, heightens concern on the sustainability of

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<sup>5</sup> For an analytical overview see Voulgaris (2008), Kazakos (2001/2010).

macroeconomic policies<sup>6</sup>. PASOK is still in power at this time, confronting a few failures and scandals in different fields of political life (Simitis, 2005, Stathakis, 2007, Featherstone, 2006) as well as the vast budgetary needs of the Olympic Games. Even so, it is still leading the way to “modernization” and Europeanization with an actual support by most political forces. On the whole, some sort of national optimism, regarding development prospects (e.g. Simitis, 2007) is the principal acquisition of European integration. In the real/producing economy, a contradictory outcome of this same process is fast tertiarization, powered by deregulation and devastation of the rest of the production sectors, except constructions.

- ***The start of the fall 2005-2010.*** The new government of the conservative party of Nea Dimokratia 2004-2008 is not as much focused on ideological articulations in its programming priorities, nevertheless its development policy in its essence follows the previous paradigm. It emphasizes fiscal consolidation (with poor results whatsoever), rationalization of the state functions and further integration to the European market. During this time, “fiscal census” initiated by ND and later again by PASOK signals the start of the “fall” (Kazakos, 2010). Both cases result to fiscal surveillance of budgetary imbalances by the European Commission and harm the country’s image in international relations, developments that most probably have a disturbing effect on growth rates<sup>7</sup>. By 2010, economic crisis is not only about budgetary imbalances of the state but also involves structural and political parameters (Stathakis, 2011). By this time, real economy has grown in to an economy almost entirely relying on services. In some dynamic sectors like commerce, tourism, transports and telecommunications, constructions and banking, concentration of capital is accelerating, at least as long as the positive “economic climate” holds (2007-2008).

### **3. Explaining the new economic model**

In this way, during the last two decades, Greek economy has been rapidly turning into an economy of services, dominated by extrovert sectors, capable to claim competitive advantage in the Single European Market. In some cases, such as tourism and shipping, relevant economic strategy builds on previous-traditional specialization or inherent historical-geographical attributes (Zoumboulakis, 2005, Spathi et al., 2010, Tsartas, 2010), while in some others, such as banking, transports and telecommunications, maturation of

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<sup>6</sup> e.g. see Albers R. Dionyssopoulou F., Van Hooydonk C (2004) “How could Greece engineer a soft landing?”, ECFIN Country Focus. Volume 1, Issue 2, 30.1.2004, European Commission’s Directorate-General for Economic and Financial Affairs.

<sup>7</sup> the latter become negative by 2008.

the capitalist system or full liberalization of trade, provide with the necessary conditions for business and profits to grow (e.g. Moschos and Fraggetis, 1997, Christofakis, 2007, Cheimoniti-Terroviti, 2003, Delis, 1990). Moreover, there are industries that take advantage of domestic market's dynamics and the rise of internal consumption, such as public services, retail, and industries on intermediate - industrial goods and services (B2B). The latter supplement strategic and externally-oriented activities but also they contribute substantially to the rise of employment and thus should also be considered as drivers.

On economic, as well as on spatial terms, "tertiarization" proceeds along with the deconstruction of rural economy and the stabilization of deindustrialization. Gross value added created in the tertiary sector represents 69.6% of the GDP in 2010, while performance in the other two, primary and secondary sector<sup>8</sup> stays around 2.9% and 15.8% respectively<sup>9</sup>. Structural change has a great geographical impact as it entails re-allocation and redistribution of factors and reorganization of the urban system, resulting especially in the amplification of the metropolitan role of Athens (Petraikos and Tsoukalas, 2004). By the end of 2000's, more than half of the economic activity in the tertiary sector, as well as 39% of manufacturing and 38% of constructions agglomerate in the Prefecture of Attica<sup>10</sup>, which becomes a par excellence center for most dynamic industries and thus the main stimulator for national development. On the other hand, nearly 95% of the agricultural economy is dispersed across Greek regions and Greek periphery, where community policies for rural development, as they emphasize new models based on endogenous factors and multifunctional farming (Papadopoulos, 2004), also foster tertiaryization, outside urban environment.

Regarding basic macroeconomic aggregates, tertiaryization means a rapid increase in the sector's contribution to the generation of income, employment, investments and entrepreneurship, at a time when other industries either suffer stagnation, either experience crisis (also Gekas, 2005). Therefore, tertiaryization is the other side of the dereliction of material production, for which external trade holds a key explanation (Karamessini, 2002): Low competitiveness, measured as deteriorating trade imbalance for goods, proves the country's interim position in the new international division of labor and reflects ineffective specialization in cheap and low quality products and raw materials. The latter presents two main flaws in the context of an international economic union: First, such specialization fails to meet expectations and needs of a demanding and more sophisticated market, in fact under the pressure of fierce competition by industrially developed countries. Second, it fails to build and protect any advantage that would not be threatened by newly

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<sup>8</sup> manufacturing, including energy and constructions.

<sup>9</sup> Gross Value Added (GVA) by industry, National Accounts EL.STAT. (Hellenic Statistical Authority). Provisional data for 2010. Manufacturing includes constructions industry that accounts for nearly 4% of GDP.

<sup>10</sup> Data on GVA by industry, Regional Accounts, EL.STAT.. Provisional data for 2009.

industrialized countries in the world periphery (e.g. Asia, or the Balkans). The latter benefit from nearly endless possibilities in lowering costs, particularly of labor, that could not be met under any circumstances, in the case of a more developed country.

In part, due to deteriorating competitiveness and in part due to other reasons<sup>11</sup>, thousands of jobs are lost in the material production (all of which are nevertheless retrieved in the tertiary sector). Especially employment in the primary sector of the economy decreases by 206.2 thousand persons during the decade 1998-2008, while in the secondary sector there is a slight increase of 60.2 thousands in the same period, mainly thanks to the rise of constructions<sup>12</sup>. On the contrary, the tertiary sector significantly increases its share in total employment by 672.6 thousands, overlapping total employment increase (526.7). The fact remains however that unemployment is persistently high (quite higher than casual frictional unemployment rate) and fluctuates at around 8-10% even in some of the years of the fast growth (2001-2007). In addition, it should be mentioned that small/very small businesses, that constitute a historical characteristic of the national production system, notably shrink in number and the effect spreads on several aspects of social and economic life<sup>13</sup>. After the opening, it is only normal that small capital, together with other “problematic” fragments of national capital, prove too weak to compete, since international corporations and large holdings enter and dominate most desirable markets and do the “clearing” through successive acquisitions and mergers<sup>14</sup>.

In general, the most significant feature of the era is intensive mobility of capital. First of all, vast development funds have been pouring into the economy in the form of community structural support (CSFs) in the context of European regional policy and later Cohesion Policy. The same, on the one hand, contribute to the stimulation of public and private expenditure, and on the other hand, relieve national budgetary policy and public spending, which has to be tight on the track to E.M.U.. Economic development in this framework is following a “virtuous cycle” of growth and performance becomes nearly exemplary, among the so called “countries of cohesion”. More precisely, ever since 1994,

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<sup>11</sup> Other reasons explaining stagnation in the material production could also be mentioned, such as inefficiencies of structural policies, the rise of new ethical and cultural values in consumption and the continuance of “rural exodus” and depopulation of the countryside etc..

<sup>12</sup> This does not mean that material production became trivial for social cohesion and local development, since many local labor markets across the country still depend highly on such activities (e.g. rural areas in central Greece, small and remote islands, mountainous areas, border and peripheral towns in northern Greece). Indicatively, employment in the primary sector although decreased by half in a period of 20 years in Greece, remained more than double compared to the European average in 2010.

<sup>13</sup> For example, the collapse of the “small merchant” in Greece means the decline of a special social group, that has been a determinant of the historical evolution of the Greek social formation. This type of small and very small entrepreneur had been characterized by a distinct professional culture, economic robustness and special political and social significance. All these discrepancies have rarely been showcased through scientific debate. More on the socioeconomic significance of the merchant in post-war Greece, in Aranitou (2006).

<sup>14</sup> More on mergers and acquisitions in Greece, see Kouzis et al. (2008).

growth rates have been positive and reaching satisfying levels, at least up to 2007. Especially in the years 1996-2004 the average annual rate of GDP growth is estimated 3.91%, while gross fixed capital formation comes to an average of 24% of GDP in the period 1996-2008<sup>15</sup>.

Furthermore, direct foreign investments *towards* Greece rise substantially in the same years, as do direct foreign investments *from* Greece. In total, more than 248,469 billion euros get invested in the Greek economy by foreigners during 2001-2010<sup>16</sup>, out of which half is driven to dynamic industries like banking and insurance, information and telecommunication industries, retail and wholesale, and repairs (50.9%), and less to manufacturing - food and beverages (16,6%). At the same time, the great majority of funds come from countries-members of the Eurozone-16 (75%) or E.U.-27 (81,6%), testifying strengthened financial exchanges between member states. Likewise, export of capital rises significantly, as Greek firms in industries of services and manufacturing (e.g. banking, telecommunications, commercial services, clothing industries) expand or even relocate to foreign countries. A new "economic inland" is formed, in the Balkans and Southern-Eastern Europe, mainly Romania, Bulgaria, Hungary and Albania, offering substantial opportunities for Greek capital and firms of all sizes to maintain profit margins and penetrate new markets (Immarino et al., 1998, Lambrianidis and Lyberaki, 2003). Nevertheless, one must keep in mind that relocation and migration bring completely different effects on domestic production system than the strategy to export or expand and disperse operations beyond national borders.

#### **4. The need to "rationalize" the system**

The new model is basically extrovert and, as such, it is supposed to be useful for the national economic development, given the challenges of globalization. A focus on industries that build a national competitive advantage at a favorable coincidence for international trade, it would serve first of all economic convergence to the European average (GDP p.c.), and at the same time, the retreat of the state, as other territorial levels of governance were gaining power over economy and development and as the new economic-political paradigm spreading in the time of globalization dictates (Thomadakis, 2011, Chalaris, 2005).

Considering these, state should favor most mobile and flexible factors and pay less care to those that are possibly captured and fixed inside country's territory. At the same time it thought it had to be indiscriminate at the opening up.

First of all, transition to the market economy had to concern the whole of the economic and production structure, primarily the tertiary sector of the economy but also the primary and secondary activities. However, the case for the latter two has been problematic

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<sup>15</sup> Long term data only available in the database of the World Bank (World Development Indicators).

<sup>16</sup> referring to the total period of 2001-2010, according to EL.STAT. - National Economic Accounts.

and complex. Economic activity in manufacturing and agriculture enjoyed close state protectionism in various ways for decades (e.g. Louloudis and Maravegias, 2007, Pelagidis, 1997) and thus it would find great difficulty in opening up and getting exposed, especially given the lack of a traditionally interventionist state. Furthermore, deteriorating competitiveness of greek products and goods in the foreign markets since the 1990's, has been a major problem that could not be resolved at the time, under the strains of the EMU.

In sharp contrast, the tertiary sector appeared particularly advantageous and suitable, as it had always been extrovert and relatively independent. Most of its industries grew impulsively, meaning with no structural support, while gaining at the same time all the more ground in international market. Especially shipping, trade and maritime services, as well as other intermediate-business services, flourished long before the foundation of the new Greek state, based on a kind of a resourceful and adaptive entrepreneurial class, keen on resale, speculative activities and international commerce (Zoumboulakis, 2005, Stasinopoulos, 2005).

This last evidence specifically explains a few things more on the unique relation between production structure and the Greek state. Since this kind of Greek capitalists have been historically detached from the national state's efforts to develop the economic system (to the standards of the "capitalist West") and even to reconstruct society and political institutions within<sup>17</sup>, it was also natural that state policies should emphasize more on supporting domestic capital and developing industries. In this way, for most of the 19<sup>th</sup> and until middle 20<sup>th</sup> century agriculture and exports were treated as strategic industries and were considered as the prime engines for growth. In addition, manufacturing of course maintained a pivotal role for capitalist development especially due to its ability to build significant inter-sectoral connections and due to its inherent dynamics in the substitution of imports.

Conclusively, matters and shortages of material production have been constantly more puzzling and simultaneously more important for the Greek state and its institutions, for two basic reasons. Material production was closely related on the one hand to certain basic needs of the population, such as nutrition or safety, or even advancements in consumption behavior, and on the other hand, to the economic interests of a domestic elite, which was the main carrier of national capitalistic development. Besides, an economy of services was thought of for a long time, as an indication of parasitism and underdevelopment, an integral feature of the metropolises of the European South, like Athens (e.g. Leontidou, 1989).

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<sup>17</sup> A marxist approach in Ioannidis and Mavroudeas (2000).

## 5. Strategy unfolds

The Treaty of Maastricht signals a second economic change for Greece, one from industry to services, as well as a political-ideological turn concerning development and the management of national economy<sup>18</sup>. Right after European unionization, the free movement of factors in a highly globalised economy and the rise of new industries (“New Economy” trend in the USA) transform the “deficiencies” of the tertiary sector into a “blessing” in the case of Greece, a country with neither competitive agriculture, nor significant manufacture. *Thus, the export model is rediscovered for economic development* as it is considered appropriate basically for two reasons: First, the only way for a small economy to grow is by turning to the global market, while making use of some inherent advantages. Second, at this specific historical moment, expansion to foreign markets entails some extra privileges, in the frame of a close inter-European cooperation and under the benefits of the single currency.

Especially certain services and tourism are regarded as cutting-edge industries, as they are highly competitive<sup>19</sup> and rely on some of the country’s inherent and most permanent merits (like natural beauty, historical heritage, geographical features, or even adaptability of its entrepreneurial class). Besides, those same industries do not find any difficulty in adapting into a liberalized economy, away from state patronage, as opposed to other activities found in material production. Even banks and financial institutions that had been under close state control and state ownership for many decades should be easily introduced into the free competition, on the way to EMU or as the deepening of integration proceeds, remarkably with no political cost or minor social resistance.

Therefore, the strategy to build a liberalized economy, based on services, in order to gain competitive advantage in the European single market, is considered here to be a pragmatic option of the Greek State in the age of globalization. It has been an option addressing current needs of the system, with the purpose to bring immediate economic growth, as well as an option pursued methodically and in a structured manner, via political decisions and actions<sup>20</sup>.

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<sup>18</sup> The turn from agricultural production to the rise of manufacturing can be considered as the first great economic change for Greece (also, Stathakis, 2011). The neoliberal turn begins in the mid 1980’s, with the first stabilization program of K. Simitis. However, neoliberal policy becomes all the more structured after mid 1990’s.

<sup>19</sup> Trade surplus in services is vital for the elimination of trade deficit for goods and services as well as in the overall balance of payments. See also Pavlopoulos (2004).

<sup>20</sup> Even though this strategy is not explained thoroughly nor logically structured in some specific formal frame of reference, elements of it can be found scattered throughout different policy documents and especially throughout stabilization and development programs of the Ministry of Economics and Finance e.g. Some of the official documents on planning development and stabilization: “National Convergence Programme 1993-1998”, “Revised Convergence Programme 1994-1999”, “Greek National Reforms Programme 2005-2008” and also, official documents on the Community Support Frameworks 1996-2000/ 2000-2006 and the National Strategic Reference Framework 2007-2013.

The scope of strategy unfolds first of all, as Greece participates in the founding of the E.U. and later in the E.M.U. and secondly as ideological schemes such as “modernization” of K. Simitis and “re-founding of the state” of K. Karamanlis, produce market-oriented policies. More analytically, retreat of national state in favor of a supranational system of governance, based on mutual interest and trust among its parts, makes possible not only the extension of the market but also the betterment of geopolitical stance. Furthermore, each one of the two ideological metaphors permits change towards this specific direction, presupposing some necessary reforms, depicted often as “structural adjustments”<sup>21</sup>. The latter, target mainly liberalization of key-markets and fields of the old traditional Keynesian state, and consequently fiscal consolidation and macroeconomic stability<sup>22</sup>.

Allegedly, successive privatizations of large public enterprises and organizations, in industries like banking, telecommunications, transports, manufacture, or even energy, obsolescence of key institutional bodies with vital responsibilities for domestic production (such as ETBA, ΚΕΠΕ, ΕΟΜΜΕΧ, ΕΟΤ or Agricultural Bank), even alterations in the legislative framework for labor relations towards “flexibilization” and implementation of horizontal industrial policies, all contribute to the creation of a new regulative kind of state, concentration of capital in a few dynamic industries and large corporations (Stasinopoulos, 2011) and to unprecedented growth of the tertiary sector. This kind of indirect structural support, and especially flexibilization of the labor market and grants by the state to boost employment, permit industries of tourism and other services to defend their versatility and self-sufficiency, from fierce and augmenting competition by keeping down production costs and in adjusting the work process, depending on seasonal needs and fluctuations in foreign demand.

Furthermore, some strategic political decisions regarding the undertaking of the Olympic Games or the allocation of structural funds of the CSFs (1996-2006) and NSRF (2007-2013) between different axis of priority, entail augmentation of public spending on infrastructure and technical projects and favore especially some industries in services and constructions, as well as large corporations and holdings. The above and in addition state’s interference in the development of the financial system, contribute to the creation of new markets and serve the interests of uprising speculative and banking capital, while encourage in general expansion of the private sector of the economy. Particularly the rise of the national stock-market offers an unprecedented impetus to financial capital, and along to major and dynamic industries, as well as showcases alternative modes of funding for large scale public projects and for privatizations of public enterprises (Pagoulatos, 2007, Cheimoniti-Teroviti, 2003).

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<sup>21</sup> *metarrythmiseis* in greek.

<sup>22</sup> more on the macroeconomic adjustment in the case of Greece in Argitis (2002).

In general, liberalization of capital movement and the adoption of the single currency have been catalytic developments in the transition to the new mode. Especially, financialization and basic benefits of the euro (security in transactions, stabilization of the economy) facilitate not only the expansion of public lending that leads to the fiscal crisis by the end of the 2000's, but also liberalization of credit to individuals and firms, that result to a generous increase in private loans. "Financial change" thus has been particularly critical first, to market clearing, since it is favoring the most viable parts of capital - those that *could* in general benefit from new loans- and second, to the rise of consumption and investment, and eventually of domestic demand, which is only in one part satisfied via domestic product. In 2004 the ratio of deficit in external trade for goods and services to the GDP approaches 14%.

## **6. Legitimization of the new mode of development**

The Greek state had to create all necessary conditions in order to legitimize the new model and ensure the reproduction of the system. First of all, modernization, nearly equivalent to Europeanization, has been an important and influential tool to gain support of the civic society. The latter for several cultural and historical reasons has been especially prone to the idea of developing closer ties to the more "civilized countries" of the West (Voulgaris, 2010). On economic terms, and as already mentioned, modernization involved the absolutely necessary fiscal adjustment (to the criteria of the Stability and Growth Pact), and also the political volition to implement structural changes towards the liberal paradigm, which was spreading across Europe at the time (1990's). Particularly, termination of state protectionism, abolition of the selective treatment of certain groups, construction of an effective as well as transparent system of governance and full liberalization of markets, stand out among the desired changes.

In this way, "modernization discourse" was vital to achieve global integration. Its ideological neutrality has been referring to a non-disputable and superior cause, and pointing to the urgent need to adapt to current challenges and to the most up-to-date macroeconomic paradigm in terms of theory and practice, applied in the E.M.U.. In any case, as the central objective was to rationalize and improve effectiveness of the overall economic system, main ideas enjoyed nearly unquestionable acceptance by the majority of society, and most of all by the middle class.

Especially middle class had to be the greatest supporter and so state pursued enforcement of lower and middle incomes in various ways. Applied policies and tactics included not only enhancement of social services and benefits (especially in health and education), but also liberalization of private loans, tax reliefs on consumption (e.g. Stathakis, 2007), foundation of several new universities all over Greek periphery (Lambrianidis, 1993) as well as a generous increase of public servants, offering employment to new graduates

(Samatas, 2010). Even continual tolerance to illegal and irregular functioning and behavior of smes and individuals, preservation of clientele relations between state and entrepreneurial class or abolition of special privileges, through institutional deregulation and privatizations in an “egalitarian” new political philosophy, could be considered as indirect tactics to “win” the middle class.

In addition, “active employment policies” have been especially helpful on this cause, as they contributed to the improvement of competitiveness and at the same time to the reduction of unemployment. Flexibilities in the institutional framework created part-time or temporary work opportunities for many incomers in the labor market, such as women, immigrants and young people (Ioannidis, 2012, Karakioulafi, 2005), nevertheless it must be pointed that the same originated critical divisions among labor, with controversial results as regards economic performance (Karamessini, 2002, Lyberaki, 1998). From a certain point of view, separation between the “good” and the “bad” jobs generalized discriminations and “irregularities”, undermined quality and specialization in work process, and perpetuated ineffective low-cost business strategies.

The rise of waged employment, as it came mainly from the most competitive industries (such as commerce, tourism, services, constructions) and indirectly from the flexibilization of labor, offered some extra advantages to the Greek state, as well. First of all, it helped avoiding extra distortions in the function of the free market (e.g. redistribution of income, more motives to business development and grants). Second, it generated indirect support for middle-incomes and an opportunity to control informal employment which has been historically widespread in the domestic production. Third, it facilitated the rise of “economies of scale” and agglomeration of growth, driving the overall economic system to efficiency and to a new pattern of interregional distribution<sup>23</sup>.

Furthermore, one must consider other functions of the public and state sector. As already mentioned, the state not only created new markets for the private sector of the economy, but also boosted employment in a difficult time and supported certain industries in direct and indirect manners. First, although the size of the public sector remained close to the European average, in terms of expenditure or even employment (Athanasiou et al., 2000, Sotiropoulos, 2007); it is a fact that posts in the public domain multiplied in only a few decades, along with just a marginal improvement in the provision of services. According to Aspridis and Petrelli (2009) for example, public servants in Greece rose from 255 to 768 thousands, that is more than doubled in the period 1993-2010, at a time of no significant population increase or reorganization of the state.

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<sup>23</sup> Explaining further, the rise of new work opportunities accelerated the movement of unspecialized work force, from rural to urban or tourist areas where the “new economy” was flourishing. At the new centers of growth, concentration of labor enhanced the prospects for economic development, as it pressed down wages and contributed to the rise of demand, through an increase in consumption.

Second, the state's continuous indifference or tolerance towards practices and processes in a "shadow economy", especially regarding the use of labor (e.g. Pelagidis, 1997, Lyberaki, 1991), even the state's awkward stance towards immigrants (which can be proved by the fact that Greece still lacks a coherent immigration policy framework) all indicate among other things, unwillingness to control and restrain insecure and irregular employment, especially in labor intensive and extrovert industries. As the country receives masses of immigrants from the Balkans and developing countries of the world periphery during the 1990's, dynamic as well as declining industries (such as agriculture, manufacturing, constructions and tourism) that rely on unspecialized and cheap labor take the opportunity to improve their financial viability (Vaiou and Chatzimichalis, 2003, Lambrianidis and Lyberaki, 2005).

It has to be noted though, that a large number of scientists, and that is specialized and highly qualified labor force, at the same time immigrate vice versa, from Greece to the more developed countries of the North-Western Europe and North America, seeking better jobs, in higher education, academic or operations research, technologically-intensive industries or business administration (Lambrianidis, 2011). From this respect, the question of "*what kind of jobs were they created*" remains critical but is still open. A kind of human capital that should be valued and safeguarded as an endogenous "core-competence" on the way to build a different development mode, based on knowledge, technology and high quality products or services, has been expelled and scattered through metropolitan economies of the world.

## **7. Conclusions**

To conclude, a new mode of development has been formed in Greece in the process of opening domestic economy, policies and politics to globalization and European integration. Economic change has been implemented through distinct political decisions, priorities and initiatives as national state assesses its own capabilities and needs, and opportunities and threats in the outer environment, in a specific geographic and historical conjuncture. We support the view that the Greek state's response to globalization and international economic change has been pragmatic, as it focused on urgent needs and challenges, while pursuing optimum efficacy to regenerate its political power. At the same time though, state has been also uncritical in its stance, destroying domestic structures that did not fit automatically into the new order of globalization, even though they had been historically fundamental to its own economic substance and existence.

As a matter of fact, it appears that economic change, as was infused from outer structures and was assimilated into the domestic political-economic structure, yielded a particularly interventionist state, as well as a special type of state - economy interrelation.

Despite the rhetoric of modernization or even the “silent” implementation of neoliberal ideas, the state has not been “rolled back”, if that means that more and more social-economic relations are beyond the state power. On the contrary, private sphere of the economy, as well as new elements in social life, become objects of state control, regulation and manipulation. Given inherent abnormalities in political life and the political system in Greece (e.g. Sotiropoulos, 2007/2001) it is not at all certain, that this ever closer interaction between politics, economy and society, has settled for the best. Instead, there is reasonable suspicion that public sector, stabilized at around 45% of GDP, opened new areas for preferential rights, intertwining interests, clientele relations and corruption (also Stathakis, 2011).

Despite the fact that an evaluation of state strategies is out of the scope of this essay, some shortcomings can be easily distinguished. Of course, convergence to the E.U. (in terms of GDP p.c.) did happen (at least on nominal terms), and accession to the E.M.U. was successful, bringing closer the idea of political unity (at least up to the crisis). Among main failures the state did not solve, nor did it try to solve, structural problems of the material production. In this way, manufacturing and agricultural economy were left adrift to open globalized market, with no special provisions, and barely survived this transition. Therefore in the case of Greece, an “economy of services” implies all typical problems of a mono-dimensional mode of development. Domestic economy is utterly exposed to external changes, while builds on no inner capabilities, except for those to “be exported”.

Finally, analysis suggests that structural unemployment can be centric in understanding and interpreting the limits of structural adjustment or that rising socioeconomic inequalities should raise more concern at the times of the upturn. Last but not least, obviously, geography is very important for one to understand deeper causes, relations, and outcomes of economic change. Immigration, mobility of capital, politics of European and global integration, the rise of networks and alternative forms of business organization, industrial change, globalization of consumption patterns are only a few parameters, reflecting close dialectic relations between society, economy and space, as well as interaction between localities and the global system.

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