The Political Economy of Greece: a brief history 1945-2013

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Contents

From WWII Reconstruction to Economic "take-off": 1950-1974

Greece is considered as one of the countries with the highest casualties during the WWII. There are various estimations of the human losses, ranging between 5.5% and 7.6% of the population, which counted around 7,344 million residents in the pre-war period (Tsoulfidis 2013). These included 300.000 deaths from hunger, 70.000 executions, 60.000 holocaust victims, 100.000 deaths in the resistance movement and 30.000 deaths during the Italian and German invasion (Tsoulfidis 2013). The biggest part of infrastructure, including ports, railways, motorways and housing buildings, was destroyed, along with half of the livestock and 2/3 of the commercial fleet. During the occupation, commodity stocks, crops and whole industrial units were seized, in order for strategic products to be exported to Germany, or in order to support the military actions of the Axe forces, both inside Greece and North Africa. The maintenance of the 400.000 occupation soldiers was absorbing the 30-60% of the public budget and the deficits were covered through the uncontrollable issuing of money. Thus, seigniorage in combination with severe food shortages (due to plunder, strong restrictions of spatial mobility or to speculation in the robust black market) resulted in the third biggest hyperinflation rate of the 20th century. During this period that lasted 56 months, prices rose at an average monthly rate of 68.6% and the value of real estate collapsed, since people in need were selling their properties at 6-15% of their pre-war value. Such developments did not only have economic effects but also very important sociological ones. These vast transfers of wealth, in combination with collaborative strategies with the occupying forces, led to the emergence of a new social stratum of entrepreneurs and nouveaux riches (Mazower 2002, Kazakos 2001).

Reconstruction took place within a climate of political turmoil that led to the civil war (1946-1949). By 1944, the industrial production was 1/5 of its pre-war levels whereas the agricultural one fell to its half. Trade recovery was also extremely difficult since the main pre-war export-partner of Greece was Germany. The Truman doctrine predicted the creation of the American Economic Mission that would put under its direct control and supervision the spending of the economic aid and the drawing of economic policies through the formation of parallel ministries. The planned distribution of the aid was eventually reconsidered, directing funds from economic recovery projects to army restructuring and military operations in the name of the "war against communists". The total amount of the aid was set at $213 million, out of which only $146 million were in money-form. The rest took the form of international commercial agreements. The huge public deficit was supposed to be balanced by a more egalitarian taxation system. However, this policy was eventually discarded after the strong opposition of the political class and the Greek union of industrialists. Therefore, the pressure was directed towards monetary and income policies. As Stathakis notes, until the end of the civil war, wages remained stable in nominative terms, while losing 60% of their real value (2002). The military focus of the Marshall plan became stronger with the break out of the Korea war. The initial ideas on the necessity of industrial development gave way to the search of national comparative advantages around agriculture, shipping and tourism. Finally, economic policy was built around two pillars: public investment for major infrastructure projects and foreign capital investment for industrial development.

The so-called "Stabilization Plan" took place between 1951 and 1953 and marked an important shift from the economic policies of the 1930s. In the interwar period, on the one hand, the international crisis had led to a major decline in the export-oriented agricultural production (ex. raisins, tobacco etc.) and the shift towards more locally-consumed products (ex. cotton, wheat). On the other hand, it provoked a major "come-back" of Greek-owned capital and a remarkable growth of the industrial sector (65% for the period 1928-38), even if its share in the national GDP was actually very small. Industrial investment focused on the more light sectors of textile, electricity and construction, following an import-substitution pattern and targeting the internal market. The national market significantly grew after the arrival of thousands of refugees after the Greek-Turkish war and the exchange of population, providing at the same time cheap and experienced labor.

Most of the pre-war barriers on imports and trade were lifted in 1953 (excluding some luxury products). The participation of Greece to the GATT agreements, to the IMF, and later, in 1962, to the European Economic Community meant new, more liberal regulations for trade and commerce, leaving aside the heavily protectionist policies of the past. Of course, this was a gradual opening of the economy to the world market with the state acting as a key regulator. Various protectionist policies continued to exist, such as certain import tariffs (particularly for the so-called traditional sectors), the "anti-incentives" policies, the "closed professions" and the "permit of intentions", all targeting the regulation of new investments (Sakelaropoulos 2004).

The most drastic measure of the new Papagou government was link to his monetary policy. In 1953, there was a major devaluation of the currency. Drachma was devalued by 100% in relation to the US dollar and got “tied” to the monetary discipline of the Bretton-Wood system (Tsoulfidis 2013a). This decision affected fiscal policies as well, while it also fostered the extensive state control over the banking sector. The devaluation brought about the first post-war crisis, increased the cost of living and the unemployment rates. Underemployment in agriculture reached 40% and unemployment outside Athens was estimated at around 20-30%. The situation in Athens was better because of the construction-driven growth of urbanization processes (Stathakis 2002). However, the devaluation also led to low interest rates and favored the competitive position of Greek exports.

Most importantly, together with a series of favorable protective measures for all foreign investment, tax exemptions, long term loans, and subsidies to firms, the Stabilization Plan paved the way to a massive repatriation of capital, mostly ship-owner capital (Hadjimichalis and Vaiou 1980, Mavroudeas 2013, Mavris 1983, Petras 1987) as well as to an increasing flow of remittances from immigrants and marines (Tsoulfidis 2013a). Income policies were also favoring investments. In a period when labour movements and more generally the left were devastated from the civil war, collective bargaining between labour and capital was taking place through a system of mandatory state regulation, defining the annual pay rise and guaranteeing low labour cost (Tsoulfidis 2013a, Stathakis 2002, Sakelaropoulos 2004).

Besides the above incentives, and in order to create a favorable business environment, the Greek state during the 1950s undertook major public investments in infrastructure works, and nationalized strategic sectors such as electricity production (DEH), and telecommunications (OTE) that were crucial for the reduction of production costs and the competitiveness of industries[1]. Public investments had an anti-cyclic character, that is, they were rising when private investment was declining and vice versa (Samaras 1986[1973]). The government also decided to merge several banks and founded others, creating a sort of state monopoly over the banking sector. The interest rates of business loans were centrally defined and were not regulated by market mechanisms

[1] Lots of companies were either nationalized or were created with public funds such as the Olympic Airlines, shipyards, oil refineries, the sugar industry etc. (Sakelaropoulos 1993)

(Sakelaropoulos 2004). In this way, the state could control credit loans towards private enterprises and could also impose a sectorial distribution of bank-investments, namely 40% towards industry and 35% towards agriculture (Stathakis 2002). Access to credit was of course creating an arena of high competition for firms. Political influence was extremely important leading to various monopolies in the market. As Stathakis notes, it is indicative the fact that, in the beginning of the 1950s, the loans of just 14 firms were covering 1/3 of total amount of credit given to industries, and 34 firms were covering half the amount; 2,500 firms were absorbing the other half. (2002:9)

These numbers concern of course just the official lending system, which was actually excluding an immense amount of small, usually family-based enterprises. Investments were mainly based on atypical credit arrangements and relations of trust between firms and among persons, creating vast –and unequal- networks between SME and big firms, activating big amount of micro-savings and boosting employment. Such informal contracts were flourishing in sectors such as trade, small-scale manufacturing and mostly housing. Functioning outside the realm of public or banking money, lots of these firms were also outside the fiscal control of the state. Tax evasion has been largely tolerated, since these sectors were indeed very dynamic in terms of middle-class capital accumulation. This was particularly true for the construction sector, that in an era of booming petty-property and urbanization, was absorbing almost 40% of such small private investments. The impressive and fast expansion of housing was based on a peculiar system of barter, called "antiparochi", which was heavily taking place outside state regulations, urban planning and environmental concerns. This involved informal contracts between petty landowners and small contractor-firms. Large construction capital in the 1950s was still showing very low rates of growth.

The period between 1960 and 1973 is usually referred to as the "golden age" of Greek capitalism. Even thought this is a time of political agitation and tension, culminating at the dictatorial coup-d'état of the colonels in 1967, the above directions in economic policies remained the same. The junta (1967-1974) additionally accumulated public debt (Grigoriadis 1975), violently persecuted the left, abolished labor rights, and committed a series of economic scandals involving both local and foreign enterprises - Litton, Coca cola, AEG-Telefunken, Esso-Pappas and PESINE among others as well as powerful political actors (ex. the so-called "Greek Watergate" scandal implied a recycling of CIA funds through the junta in order to support Nixon's electoral campaigns) (Ios 2010, Mpenas 1976, Kazakos 2000, Karagiorgas 1978).

The Greek version of "economic miracle" has been related to a massive penetration of foreign capital. This is an era of very high rates of capitalist accumulation and profitability. From 1960 to1967, under democratic regime, GDP grew at an average rate of 6.7%, reaching 63.6% of GDP of the EU15 counties in 1970 (from 43.9% in 1960). The term "foreign capital", its function as "colonial" or "productive" capital and even its external or internal orientation have actually been the object of long debates, particularly among scholars of the Greek left. Indeed, most of investments concerned Greek-owned capital accumulated abroad- that's why in the original formulation of the famous incentive-law of 1952 there is no mention of "foreign" capital but of investments "coming from abroad" (Hadjimichalis and Vaiou 1980, Mavris 1983). Yet, the disagreement did not just revolve around statistical data or legal labeling. Most importantly it concerned different directions in defining the terms of working class struggle: a clash between those that advocated for national economic independence and those who saw the disadvantages (and dangers) of such a thesis and focused instead on arguments related to the international division of labor. Either way, the efficacy of this incentive-law was also questioned (Stathakis 2002), since the first nine years of its enactment (1953-1962) capital annual entrance was quite small - 5,4 million US dollars (Mavris 1983). On the contrary, the internal market considerably expanded and after 1955 (following the strong urbanization processes and flows of remittances) there is a growing return of savings to the banking institutions, rising from 5% to almost 20% of GDP in only five years -very high rate also in terms of international comparison (Stathakis 2002).

The situation altered significantly, though, from the beginning of the 1960s. During this decade, 45% of industrial production growth was generated by multinational subsidiary companies. Local capital was mostly concentrated at the so-called "traditional" sectors, such as textile, food/beverage and cement. These industries shifted from export strategies towards the internal national market, following an import-substitution model (Sakelaropoulos 2004, Mavris 1983, Stathakis 2002).On the other hand, foreign investment was oriented towards capital-intensive industries, such as chemical, metallurgical, shipbuilding, transport and intermediate goods (Samaras 1986, Fotopoulos 1985, Mpenas

1976, Stathakis 2002, Tsoulfidis 2013a, Mavris 1983). This is the reason why, contrary to the case of labor-intensive industries, industrial employment grew at only 1/10 of the percentage of growth of industrial products, leading some scholars to support the thesis of "industrialization without proletariat" (Fotopoulos 1985). These firms were mostly targeting foreign markets. This is particularly pronounced for the metallurgical production, mainly aluminum, ferronickel and steel. However, as Petras notes, "unlike in other parts of southern Europe—most notably Spain— no machine-based metalworking industry developed to fuel all-round industrialization" (1987:5). Regarding, therefore, the above sectorial distribution, it is important to stress that there was no conflict between foreign and local capital, as the former one was active in sectors that the later was practically absent. Neither was any such conflict ever reflected in the political scene. Contrary to the arguments of those that saw the local capitalists constrained by the foreign-investment flows, we can observe cases of cooperation and merging between firms rather than a decline of local enterprises (Mavris 1983).

Developments in the construction sector were equally important during these years (1960-1973). As mentioned above, the dynamic domain of housing was left in the hands of small -usually family-based- firms. However, the 1960s was also an era of high growth of big construction companies (Stathakis 2002, Mavris 1983), marking strong processes of capital-concentration. Indicatively, 10% of construction firms owned 36% of total construction capital from 1960 to 1966 and 48% from 1967 to 1973 (Mavris 1983). In contrast to small construction firms, large construction capital was oriented towards big-scale infrastructure works. Profit returns were therefore extremely high, given the developmental policies of public investments during this phase of capitalist expansion. According to Mavris, the total amount of profit of these firms amounted to 725 million for the period between 1960-1966, and reached 6 billion during the dictatorship years 1967-73 (1983). This phase of rapid accumulation lasted till the economic crisis of 1972/3, when construction capital started to internationalize its operations, mainly towards Middle East and North Africa.

Finally, the most dramatic transformation took place in the agricultural sector. The social struggles of the farmers in the beginning of 20th century as well as the arrival of 1,5 million refugees from Minor Asia in 1922 led to the gradual implementation of a quite radical land reform (Vergopoulos 1975). As a result, the rural land ownership system was (and still is) mostly based on small, family-owned units. Units with less than 10 hectares represented more than 90% of the total amount and were covering more than 70% of cultivated land. Historically (going as back as to the land-ownership system of the Ottoman Empire) there was not a class of landowners extracting surplus value from rents or waged-work. Family plots and farms engaged invisible family labor and farmers were heavily exploited in the market sphere by merchants buying low and selling high.

Most importantly, besides the production and circulation sphere, capitalist expansion implicated a very uneven articulation between agriculture and industrial development, creating severe social and regional inequalities (Maraveyas 1992, Negreponti-Delivani 1981, Vergopoulos 1975). The transfer of value from the primary sector to the secondary one was orchestrated and facilitated through extensive state intervention (through for example credit, taxation, price-policies etc.). Post-war agricultural policies aimed both at the increase of agricultural productivity (through for example infrastructure works) and at the fixation of low prices for agricultural products. Cheap nutritional products were contributing to bigger industrial profits, since the cost of reproduction of workers, and thus the variable capital of firms were kept at a low level. At the same time, the low prices of products that served as first material to certain industrial sectors (ex. textile, tobacco, diary or food/beverage industries) were guaranteeing a considerable reduction of the cost of constant capital.

Therefore, even if governments were claiming to adopt pro-agricultural policies through occasional haircuts of farmers' loans, tax-exceptions, income policies and various provided subsidies, in fact they were fostering the degradation of agriculture in favor of industrialization, as well as a certain relation of dependency between the farmers and the state for both production and survival (Sakelaropoulos 2004). Indeed, such a value-depreciation of agricultural production had severe impact on rural livelihoods and prompted a massive rural exodus and depopulation of the countryside. During the 1960s, even if there was a 28% increase of cultivated land, agricultural production grew at an average annual rate of only 3-4% and its percentage to national GDP fell from 32.91% in 1948 to 18.06% in 1971 (Tsoulfidis 2013a). The rate of agricultural employment fell dramatically as well, from 61.5% of active population in 1958 to 45.1% in 1968 and 33.4% in 1977 (Mavris 1983). Migration was both internal and external: It is estimated that between 1955 and 1977 almost 1.5 million people migrated abroad, mainly to western Germany (Tsoulfidis 2013a). External migration mostly affected Northern Greece, whereas migrants from Peloponnese and the islands were principally arriving to Athens. Apart from Athens and Thessaloniki, the capitals of provinces (NUTS3) throughout Greece grew as well (Leontiadou 1990). The massive arrival of people to urban centers created a deposit of excess surplus labor that restrained growth of wages in relation to high productivity and high profits. Between 1956 and 1963, productivity in urban regions rose by 44% whereas minimum wages rose by just 21%. Economic and regional inequalities accelerated during the dictatorship since the growth of production was double the growth of wages. The wealth gap became even wider: by 1974, 20% of richest people possessed 47.9% of total wealth, and 20% of the poorest possessed only 3.1% (Karagiorgas and Pakos 1986:273).

Stagnation and mild Keneysianism: 1974-1990

The over accumulation crisis in the beginning of the 1970s dramatically hit Greece. The four times increase of petrol price in the end of 1973, in combination with the disconnection of drachma (in 1975) from the dollar after the dissolution of Bretton-Woods system, inaugurated an era of continuous currency devaluations and rising inflation. During this whole period and until the mid 1990s, crisis took the form of major disinvestment and deindustrialization (Iordanoglou 2004a, Giannitsis 1985, Sakelaropoulos 2004, Tsoulfidis 2013a). Between 1974 and1980, the average annual GDP rate fell to 2,9%, from a rate of 8.9% in 1963-1973. Yet, these were still positive rates and in fact were quite higher than the average of the OECD countries (Iordanoglou 2004a). That is why the 1970s are usually considered as the years of deceleration or slowdown, whereas the 1980s as an era of capital flight (Vergopoulos 1986, Petras 1987) or complete stagnation, with average GDP growth of only 1.0% (Fotopoulos 1985). Similarly, the average annual investment rate, after reaching 9.3% during the 1960s, decreased to 2.8% during the 1970s, just to reach the negative -2,9% in the 1980s (Komninos 1990).

Parallel to the crisis, the years between 1975 and 1985 marked a period of quite radical income redistribution and welfare expansion. The fall of the military dictatorship triggered an intensification of class struggle, manifested in large strike waves, grassroots factory unions in big private firms and very strong syndical movement in the public sector. Anti-labor laws were abolished, the right to syndicate at the working space was recognized, collective labor contracts were signed, lockouts were forbidden, solidarity strikes were recognized as labor-right, the left was legalized, some labor participation in decision making was at least legally institutionalized together with labor-time, family subsidies and annual vacations (Kravaritou-Manitaki 1986). Contrary to the Western political agendas of welfare devolution, the 1970s and the first half of the 1980s were characterized by progressive Keynesian policies, mainly implemented by the first-time elected government of the Socialist Party PASOK in 1981. Among other things, a public health and social security system was established, social housing expanded, family law “modernized” (introducing gender equality, divorce by consent, civil marriage etc.), educational system was democratized, police and military power was relatively restricted and secularization processes were underway. Still, as Petras put it right, “Greece continued to spend less than half the West European average of GDP on health, education and social welfare” (1987, also Vergopoulos 1986).

Income-redistribution polices contributed to the reshuffle of post-dictatorial radicalism. These policies were accompanied by various efforts to introduce a more equal taxation system, yet with not really important results. The main popular demand was the reversal of the post-civil war model of the “golden years”, based on wage (and labor) suppression in favor of unrestricted capital accumulation. It is important to stress that unemployment rates were relatively low after the massive migration in the previous period (Karagiorgas and Pakos 1986). Therefore, between 1975 and 1979, the average income grew annually by 21.6% in nominal terms and 7.7% in real terms (Iordanoglou 2004a). Karagiorgas and Pakos note that during the same period, the salaries of employees rose by 31% and those of industrial workers by 46% (1986:274). In 1982 the PASOK government introduced a wage-system of auto-indexing to inflation (Automatic Wage Indexation/ATA), increased the share of pensions and set the minimum wage 40% higher. Even after the above improvements, the total labor cost as a percentage of Gross Value of industrial production represented a far smaller number in Greece compared to the rest of Europe (and the same can be said about the social expenditure). According to Vergopoulos’s data, this percentage for textile production in 1978 was 15% for Greece, 28% for Germany, 27% for Spain 24% for England. Greece was in fact much closer to the 15% rate of Turkey and the 13% rate of South Korea (1986:85).

Despite these estimations, rising labor costs coincided with a major restructuring in the industrial sector, conditioning the terms of integration of Greek economy in the international division of labor. In sectorial terms, there was a shift of investment and industrial production towards the so-called sectors of "light consumption". Contrary to the previous period when foreign investment was mostly oriented to capital intensive and technologically advanced industry, labor-intensive sectors such as textile, food/beverage, clothing and shoeing became the most dynamic ones, targeting mainly the national market. Even though, during the 1970s, this light industry performed better than the crisis-ridden heavy industry, it was repeatedly hardly hit after the second oil sock in 1979. This sectorial specialization became a structural disadvantage of industrial firms that could simply not compete with the new industrialized countries of South East Asia. The gradual integration of Greece to the EEC also put an end to the post-war model of growth, since various protection barriers were gradually lifted since 1974 and intra-European competition was intensified.

The only sector that was still growing was the construction one. In fact, after the rapid accumulation of profits during the dictatorship, the crisis of 1972/3 prompted an "exodus" of large technical capital: its operations manifested processes of internationalization, since major investments were now penetrating -mostly- Middle East (Saudi Arabia, United Arab Emirates, Iran and Irak) and also Africa (Nigeria, Cameroon). A study of the National Bank of Greece showed that, in 1977, the total value of these construction works amounted to 170 billion drachmas, employing 7000 workers (Mavris 1983). This is why, even if generally Greek exports were increasing, the share of those targeting the EEC -mostly linked to multinational firms (Giannitsis 1986)- fell from 52.2% in 1970 to 43.3% in 1981; on the contrary, exports to Middle East and Africa (ex. construction material such as cement, steel, metal tubes, ceramics and transport material) rose from 6.7% in 1970 to 28.7% in 1981 (Mavris 1983). Huge capitals, accumulated through over-exploitation in terrible working conditions, were subsequently re-invested in Greece, mainly in commerce, shipping but also tourism. Still profits didn't necessarily translated to balanced accounts. By 1981, the debt of large technical companies to the National Bank of Greece reached 30 billion drachmas, revealing not so much cases of mismanagement, but most importantly the strong interlinkages between technical capital, the banking sector and the political class (Mavris 1983).

Besides sectorial trends, another important characteristic of industrial restructuring was the reduced level of vertical integration of the productive systems in comparison to previous years. As Giannitsis notes, there was a growing disarticulation among the various production processes, without at the same time the development of some horizontal integration among whole industries (1986:251). The opening of the market to EEC seriously damaged the local industries of intermediate products, since they couldn't face competition from respective (and more dynamic) European industries. The devaluations of the drachma aggravated this situation even more. As the unrestricted entry of imports was more and more facilitated by new policies, Greek industries preferred to replace local intermediate products with cheaper European ones, in order to foster their own rate of competitiveness. Such strategies, in combination with the import of technology, led to growing current account deficits. The annual trade deficit grew from 400 million dollars before 1973 to 2.3 billion for the years 1980-1981 (Giannitsis 1986:250).

Industries became heavily indebted in order to cover their deficits and fund their investments. Between 1974 and 1983 total industrial debt towards the highly state-regulated banking sector rose at an annual average rate of 7.7%. The ratio of debt/added value from 69% in 1974 reached 108.9% in 1983 and the rate of credit participation in capital investments rose from 12.8% for the period 1960-1966 to 44.9% for 1981-1983 (Giannitsis 1986:252-253). This was also a result of particular state policies between 1974 and 1979 that, in order to boost liquidity, kept the interest rates of both short-term and long-term loans very low – for some years interest were even negative. Giannitsis called this policy "socialization of crisis" since the expenses that had to be paid by the entrepreneurs were transferred to other social groups, by defining an interest rate for savings lower than the rate of inflation (1986:253). Such polices were terminated in the beginning of the 1980s. Interest rates considerably grew again, whereas growing EEC competition led to increasing debt that was not viable anymore.

At the same time, very strong working class agitation erupted against the shutting-down of the so-called "problematic enterprises", demanding the rescue of the firms through nationalization, labor participation to the management, and public investigation for the mismanagement of the previous years. A series of state interventions finally led to the creation of the Organization for Restructuring Enterprises (OAE) in 1983. A total of 43 enterprises from various sectors (shipbuilding, cement, textile, paper, plastic etc) with around 30.500 workers became part of the so-called "sanitation" mechanism of OAE (Sakelaropoulos 1992:134,Tsoulfidis 2013a).

Even though the Federation of Greek Industrialists (SEV) initially rejected the formation of OAE on the grounds of accelerated state-intervention in the economy, in the end this policy was received with much alleviation by various social groups, including the firms' owners and capital holders. For syndicates and working class movements, the goal of securing employment was met. For other state bodies, such as the social security or the unemployment agency (Manpower Employment Organization/OAED), the OAE relieved them both from costs and policy-responsibility. Most importantly, the National Bank of Greece (ETE) achieved in this way the "sanitation" of her own portfolio: contrary to the plans of the Ministry of the Economy, the huge debt of the problematic enterprises was transformed from a banks' burden to a state problem (Sakelaropoulos 1992). The total cost that was transferred to the public sector is estimated to 1 trillion drachmas (OECD, Survey, 1998: 100). The OAE didn't turn out to be a very successful mechanism. The decision to incorporate large indebted enterprises (such as Piraiki-Patraiki, Skalistiri, SOFTEX, PYRKAL among others) seriously hampered the viability of this plan while exposed the various types of clientelism and interlocking interests between political elites, banks and capital.

We shouldn't neglect the regional dimensions that the above restructuring processes had. Indeed, the crisis of Greek capitalism was not geographically homogenous. While the old industrial centers (Athens, Piraeus, and Volos) were severely hit, the northern regions of Macedonia and Thrace showed, on the contrary, a very interesting economic dynamism, in terms of profits, GDP per capita, growth of active population, higher employment rates and also higher rates of women's labor- not only in industry and manufacturing, but also in agriculture and tourism (Kaukalas 1992, Hadjimichalis and Vaiou 1987 and 1997). These regions showed significant demographic changes, namely a revitalization of population due to the massive return of immigrants. Vaiou and Hadjimichalis have categorized these regions as "intermediate peripheries" (1987, 1997). Districts such as Kozani-Ptolemaida, Kilkis, Serres, Pierria or Xanthi shifted their position within the European division of labor: from underprivileged and isolated agriculture areas of labor-export, they gradually became specialized in certain products of small and medium labor intensity (textile, electrical supplies, greenhouses, transport, fur, beverage etc).

Despite private initiatives, this fostering of production systems in northern peripheries was made possible through specific regional state policies (Petrakos and Psycharis 2004). Since 1975, regional policies were built around the provision of business incentives for border areas, decentralization of big public companies, low-interest credit and public infrastructure programs such as airports, transport and construction of industrial zones. If we examine the regional distribution of public investments we can delineate two periods, coinciding with the two post-dictatorial governments. From 1976 to 1981 public investments were financed only through the state budget. Regional policies had a strong centripetal character since lots of the already developed areas kept receiving the bigger part of the funds: Attica 37.9% and Thessaloniki 6.5% among others (Psycharis 2008). The direction of public investments set by the following government (1981-1987) had a more re-distributive regional dimension, although some choices had more to do with political decisions rather than with a cohesive developmental rationale (Psycharis 2008). The biggest change between the above two periods was the fact that in the second one, since 1985, Greece started receiving European funds, first through the Integrated Mediterranean Programs and later on through the cohesion and structural funds. These latter, together with the Common Agricultural Policy /CAP played a major role in the restructuring of the countryside, both in economic and political terms.

Similar to industry and manufacturing, agriculture too suffered from underinvestment, EU integration policies and heavy indebtedness. Gross capital investments in agriculture fell from 10.5% of all national investments in 1975 to 5.1% in 1990 (Damianakos 1997). By 1990, this sector employed 21% of active population and contributed 10% of national GDP (Kasimis and Louloudis 1997:99). Still, this amount of labor force was much higher than most of the European countries, where agricultural employment was less than 6%. Farm population, though, was aging in quite fast rhythms. As Damianakos notes, in 1971, 20% of farmers were less than 30 years old and 10% more than 65. By 1989-1990, these figures had reversed: 5% of farmers were less than 35 years old and 29% were over 65years old.

In terms of land-ownership, the 1970s and 1980s manifested trends of both concentration and parcelization. The number of small farms with less than one hectare grew from 21.6% in 1971 to 26% in 1989. At the same time, the number of farm households occupying more than 10 hectares increased from 4% in 1961 to 8% in 1991(Damianakos 1997). Sakelaropoulos argues that more surplus value was now extracted within the production sphere, since larger farms were employing more external labor, bigger monopoles had entered the agriculture sector and vertical integration was more developed than before (2011). Even if one could trace some signs of proletarianization in the countryside (Moissidis 1994), wage labour had taken a more casual character since permanent jobs represented in 1981 only 3.0% of agricultural labour force, a rate significantly reduced if compared with the 8,2% rate of 1961 (Moissidis 1986). Tenant farming increased also considerably, particularly in northern Greece. In 1950, only 5.2% of cultivated land was rented, whereas by 1990 this rate reached 20.8% (Damianakos 1997:202). Finally, another important transformation was the increasing importance of contractual farming. Moissidis study shows that 100% of sugar beet, seeds and mass-produced tomatoes, 36.1% of fruit and 22.7% of poultry were in fact produced under direct contracts with agro-industries (1988, cited in Damianakos 1997:201).

The post-dictatorial wave of social protests included also the mobilization and struggle of farmers. Farmers were against the previous system of price-fixing that used to provide cheap material and food for the industrial capital. The lowering of prices had to be achieved this time through the rise of productivity (Sakelaropoulos 2011). The costs related to agriculture policies almost doubled by 1977, reaching 24% of the national budget (Sakelaropoulos 2011). However, they were related more to income-policies than to capital and/or technological investments. Between 1975 and 1985, farmers' income was increasing at an annual rate of 3.3% in real terms, raising the ratio of a farmer's income to that of a worker in other sectors from 40% in 1975 to 56% in 1985 – still remaining half of the respective EU average (Damianakos 1997). After 1981, the new PASOK government adopted a so-called pro-agriculture stance, and the subsidization of loans became a key element in the consolidation of its electorate in the countryside (Petras 1987). The loans granted by 1991 were 28 times more than those given since 1971 and 89 times more that those granted since 1961 (Damianakos 1997). The socialists also tried to re-structure the agricultural cooperatives through various laws. However, some of the structural problems of these organizations remained unsolved, party-politics became institutionalized through a compulsory proportional representation of political parties in the electoral system, and cooperatives became heavily indebted to Agricultural Bank of Greece, that is, the bank that was responsible for price-support and other often unsuccessful investments (Louloudis and Maraveyas 1997).

In the meantime, agricultural production became less and less competitive within the EU market. After EEC accession in 1981 and the introduction of CAP, the balance of agricultural trade became negative. By 1989, exports were covering 80% of imported goods (from 105% in 1980) whereas "Greece imported substantial quantities of heavily subsidized livestock products, and especially beef and milk products, from the EU. Before the accession, domestic demand was satisfied by cheaper imports from Greece's northern neighbors, the CEEC and the Balkans (Damianos and Hassapoyannes 1997:303). It is important to emphasize that the share of subsidies was very disproportional, if one looks for example at the highly subsidized cotton or tobacco production of irrigated lands in comparison to livestock production and cereals of more poor areas. Indeed, cotton and tobacco started replacing other crops that were less favored by the CAP policy. Therefore, the "pro-agricultural" policy was particularly selective: farmers of mountainous areas and stock-breeders were much less favored, if not damaged, than intensive and technologically advanced crop-farming in plains. Such imbalances had obviously very strong effects in terms of uneven geographical development.

Last but not least, a significant transformation in this sector has to do with household structure in terms of employment: 42.5% of farm households became pluriactive (Damianos et al. 1994, Kasimis and Louloudis 1999). Whereas, in the previous period, non-agricultural jobs merely served as an additional-to-farming income, the opposite trend seemed to be taking over: farming income was now just an income-supplement for the household, involving mostly women and children labour. The head of the household usually had a non-agricultural main activity. Non-agricultural jobs were not just filling the gap of reduced migrants' remittances in the 1980s. They manifest structural changes in the way that agricultural units got incorporated into capitalist production modes, through internal differentiation patterns. In fact, despite predictions about a continuous proletarianization of agriculture, farming based on family property and labour had on the contrary persisted precisely through pluriactivity (Kasimis and Louloudis 1999).

Such processes were directly linked to the structural transformation that the Greek economy went through during this period: the explosive boom of the service sector, in parallel to the decline of industry and primary sector. Already by mid-70s, services contributed around 50% of national GDP (Trantas 2004). Between 1976 and 1983, they grew at an annual average rate of 3.5% (Giannitsis 1986:247) and represented the only sector that systematically created employment, mainly in the domain of transports, telecommunications, commerce, financial services and, most importantly, in the very dynamic sector of tourism (Tsoulfidis 2013:353). Even if services were the only economic sector with positive accounts, this didn't prove enough to cover the national balance of payments deficit because an important part of the third sector concerned export- services of very low productivity, as for example in tourism. At the same time, migrant remittances amounted to only 16.6% of the deficit in mid 1980s, a significant smaller rate compared with 24% of the 1970s and the even bigger 32% of the 1960s (Fotopoulos 1985). From the 1980s onwards, this gap was covered by the inflow of EU funds, reaching 3.8% of GDP in 1989 (Iordanoglou 2004b). EU funds also kept the consumption rates high and financed a big part of the agricultural subsidies and public investments.

To the unbalanced trade deficits, the stagnation of investments and the growing inflation (reaching the annual average rate of 19% for the 1980s) we have to add the increase of public expenses; their ratio to GDP was 50% in 1990 (Iordanoglou 2004b). The expansion of welfare, the cover of deficits of insurance organizations and crisis-ridden public enterprises, the increase of various subsidies, the growing number of public servants, the shrinking of taxation inflows, the nationalization of large companies during the 1970s and most importantly the transfer of the indebted "problematic" companies in the 1980s to the public sector (Tsoulfidis 2013a), all these dramatically exacerbated the primary expenses of the state (excluding interests of payments). The cumulating deficits had as a result the escalation of public debt: from 27.7% of GDP in 1980 reached 89% in 1990. Until that time, credit was not coming from the market but from low-interest loans from commercial banks that in the mid-80s were obliged to bind 50% of the savings for this reason. However the increase of expenses imposed external borrowing as a temporary solution. Rising debt meant rising costs to serve it. Interest payments grew from 1.4% of GDP in 1980 to 9.4% in 1990, becoming one of the main burdens of the public budget (Iordanoglou 2004b).

By mid 1980s, the above economic strategies reached their limits. The PASOK government adopted the so-called "Stabilization Plan 1985-1987". This austerity program included a so-called "harder" monetary policy: from 1987 onwards, long-term loans to industries carried positive interest rates. During the same year, the government initiated very important reforms of the financial system targeting the liberalization (and the eventual rise) of real interests. The state had from now on to finance its deficit through borrowing directly from the market. The new policy-package also included a currency devaluation of 15%, the shrinking of public investments in infrastructure and several tax reforms concerning imports, all in accordance with the EEC accession requirements. Most importantly, austerity was translated to a sharp reduction of real wages by more than 11%.

Workers had to face a more aggressive government resorting to an anti-strike legislation, while at the same time they lost almost all their wage-gains, since their salaries went back to pre-1980 levels. At the same time, the automatic indexation of wages system was abolished and wages had now to adjust the 'targeted' and not the real inflation. The Stabilization Plan, in fact, "aimed to reverse the initial negative impact on profits from the economy's opening and to shift its burden to labor (Mavroudeas 2013:302).

Neoliberalism, Financialization and Crisis: 1990-2013

In the beginning of the 1990s, the above "conservative Keynesian policies" of the late 1980s gave way to a more explicit neoliberal restructuring. The governments' goal was to guarantee so-called "macro-economic stability" and liberal market conditions through a gradual curtailment of state intervention. In fact, the economic policy of the whole decade of 1990s aimed at meeting the requirements of the Maastricht Treaty (1991) and the adoption of the common EU currency. This implied a so-called macro-economic discipline: inflation should not be more than 1.5% above the average rate of the three EU member states with the lowest inflation; budget deficit should be kept at or below 3% of GDP (by 1990 it was 20.4%); and public debt should not exceed 60% of GDP (or at least should manifest a steady decrease).

Within this policy framework, a vast wave of privatizations took place including both firms (among others the large cement company AGET-Iraklis) and small and medium banks, such as the Ionian Bank (Antoniades 1997). By the end of 1993, almost all the indebted companies of the Organization for Restructuring Enterprises were either sold or shut down. Another way of reducing the state property was the sale of equities of certain public companies (Telecommunications, Greek Petrol, ETVA bank), whereas some of them also lost their monopoly in the national market (Olympic airways for domestic flights, OTE for mobile telecommunications etc). At the same time, the government decided on significant cuts in social security and adopted a restrictive income policy: public-sector salaries froze, social contributions increased, benefits were reduced, and the definition of wages in the private sector were left to capital/labor negotiations. New legislation on taxation introduced even more favorable conditions for higher incomes and profits, whereas indirect taxation considerably grew. The new socialist administrations (1996-2004) expanded privatization processes and systematically reformed labor legislation, introducing deregulation and flexibility schemes while further weakening collective bargaining. Concerning monetary developments, the goal of the so-called "strong drachma" policy was to keep inflation low by holding unrealistically high exchange rates for the national currency. This policy lasted until the entrance of Greece in the ERM and resulted in the constant overvaluation of drachma. Even after the introduction of the Euro in 2001 and during the first eight years since, real currency appreciation was over 20% (Arghyrou and Kontonikas 2011).

Neoliberal restructuring came hand in hand with a growing financialization of the economy (Lapavitsas 2013). Indeed, the significant reduction of the purchasing power of working and middle classes led them to credit, in order to maintain their life-projects. Since the mid-90s, banks were earning high profits by buying cheap credit abroad and were offering more risky loans to households within the country. Between 2002 and 2007, (and particularly after the deregulation of consumption credit in 2003), household debt grew by 28% annually, creating unprecedented -for Greek standards- levels of private debt (Sakellaropoulos 2010:325). The growing indebtment was facilitated by the gradual reform of the banking system: interest rates for savings and loans were now defined by the market and not the state; the borders between lending and not-lending financial institutions became fuzzy, both offering new differentiated products (such as mortgages and consumption loans, mutual funds etc.); banks didn't have to direct pre-defined percentages of their funds to specific economic sectors; the National Bank of Greece became independent in 1997 and, since 2001, banks were not anymore obliged to hold government securities in their portfolio in order to finance public deficit. The State had to seek finance from the market and banks thus increased their lending capacity (Mavroudeas 2013).

Rising household debt went hand in hand with the reduction of household savings, the later falling from a 14.1% rate in 1996 to 8.9% in 2004 (Sakellaropoulos 2010:325). Indeed, a major redistribution of wealth took also place through the stock-exchange. The equity market capitalization grew from 3% of GDP in 1985 to 20% in 1995 and became a major source of enterprise finance. The mutual fund industry expanded significantly as well (Spyrou 1999). Low interest rates and (sometimes politically-orchestrated) promises of abnormal high returns fed the Greek version of so-called "popular capitalism", underground economy, and rentier activities (Fouskas and Dimoulas 2013). The stock-exchange bubble burst in 1999, with dramatic losses for the majority of small investors and huge profits for speculators and the financial sector.

Contrary to the deteriorating living conditions and rising risks for the many, the period between 1995 and 2005 is considered to be a new golden era of accumulation for Greek capitalism. Not only there was a significant convergence of the Greek economy with the more advanced EU ones, but actually Greek performance was far better. Between 1996 and 2008, real GDP growth reached 61% for Greece, 56% for Spain and 124.1% for Ireland, when the respective rates were 19.5% for Germany, 17.8% for Italy and 30.8% for France. During the first part of this boom (1995-2000), total investments were increasing by rates faster than those of GDP, namely by 7.3% annually. Public investments were growing even faster, at an annual average rate of 9.4% but private investments were equally important (7%) (Iordanoglou 2004b). A great push was given by the 2nd Community Support Framework (1994-1999) that mostly focused on public works, such as highways, Athens's Metro and airport. Large infrastructure projects continued to be undertaken until the Olympic Games in 2004, accompanied by the extraction of large private profits through over-priced sub-contracting deals with both local and foreign companies (Mavroudeas 2013).

Apart from EU funds, public investments were mostly financed by public loans that after the Maastricht treaty were necessarily foreign loans. This didn't pose any major problem at a time of accelerated global finance capital. The interest rates on Greek bonds were kept much higher than other European ones, attracting a massive amount of affluent foreign fictitious capital. Higher growth rates in the European periphery meant higher financial profits for the private investors of more core economies. This artificial boom inside the country was coupled with an aggressive internationalization of domestic capital. This was the era of the so-called *Balkan El Dorado*. The collapse of the Balkan socialist regimes created a land of investment-opportunities. Greek foreign direct investments (FDIs) driven by the strong euro-currency reached unprecedented levels (Blavoukos 2003). These were linked above all to a vast expansion of the financial/banking sector, and the internationalization of sectors looking to expand their markets, such as telecommunications. However, they also included the massive relocation of productive industries and manufacture, taking advantage of the affluent cheap-but-skilled labor force, as well as vicinity factors. Therefore, apart from seeing solely semi-peripheral trends, the *Balkan El Dorado* tells us also the story of the industrial decline during this same economic-boom era.

The establishment of the single market and the introduction of the euro currency had indeed severe effects in both industry and agriculture. Although the intra-euro trade considerably increased, firms for the European center benefited much more than those of the peripheries: "First the absolute trade cost reduction for all of the eurozone increased the relative disadvantage of those behind at the time of monetary unification. Second the operation of market access forces drew activity and canalized exchange value flows into central regions at the expense of peripheral ones, as Myrdal, Harvey, Hudson and others have shown, long ago. And third was the loss of the old state regulatory framework, which, albeit dysfunctional in many respects, protected southern firms via monetary devaluation, bilateral international trade agreements and provision of investment incentives" (Hadjimichalis 2011:261). Although some firms tried to upgrade their productive systems and imported technological equipment, the general competitiveness of Greek industries was dramatically falling. They now had to resist the pressures coming from more productive European industries, from more-competitive labor-intensive firms of extra-EU countries and from the expensive euro-currency in extra-eurozone transactions.

The internationalisation of Greek industry was hence also an attempt of the most damaged sectors (such as food and beverages, textiles and clothing sectors among others) to restructure in order to survive these competitive pressures. In parallel, firms were intensifying labor exploitation and were extensively using cheap migrant labor entering massively the country since the early 1990s (Blavoukos 2003). These phenomena have, therefore, to be understood as a general crisis of the productive bases of the economy and as an outcome of the new (compared to the "golden years" of the 1960s) paradigm of accumulation based on financialization and the growth of so-called unproductive activities (Sakellaropoulos 2010, Mavroudeas 2013, Tsoulfidis 2013b). Industrial employoment rate was 13,6% of active population in 2008, and agriculture's share reached 11,3% from a 21% in 1990. Actually, besides the effects of the common market, the Common Agricultural Policy/CAP and the associated EU funds had also ambivalent results, since they have often orientated the structure of production towards deadlock choices and have encouraged the qualitative degradation of certain products. It is important to note that there was a major policy-change in 1992: The CAP was transformed from a mechanism of supporting prices of agricultural products to a mechanism of directly supporting income, regardless the amount of actual production.

The service sector, on the other hand, was providing employment to 66,4% of active population in 2008. According to Tsoulfidis, “in the absence of effective protection from international competition, the Greek entrepreneurs gradually shifted to sectors which enjoyed protection mainly because of their domestic nature and such are the sectors producing non-tradable goods and services” (2013b:18). This marked a turn towards the wholesale and retail trade sectors, the real estate sectors, the financial institutions, tourism, media, transports and communications. Indeed, despite the impressive growth rates, unemployment kept on rising throughout this period and actually (over) quadrupled compared with that prior to 1980 (Tsoulfidis 2013b).

When global crisis hit Greece, it took the form of a so-called “twin deficit”: public and external. The economy had already started to contract since 2005. The C’ Community Support Program was also terminated in 2005 and the cutbacks of these transfers had a severe effect in the deficit balance – for the period 1991-2000 they covered 27% of trade deficit (Iordanoglou 2004). By 2009, public deficit reached 13.6% and public debt amounted to 120% of GDP. Credit rating agencies downgraded Greece and the question of default was posed. The Greek government formally requested an international bailout and since 2010, received two emergency aid packages of €240 billion under the auspices of the IMF, the EU and ECB. Amidst very dynamic but also violently repressed popular revolts, strikes and demonstrations, a series of austerity measures have been legislated. These had three goals: first, the diminution of the deficit and debt through the shrinking of the state (via privatizing state assets and companies/organizations, reducing state-administration employees and cutting down welfare transfers and services); second, the devaluation of labor in order to make the economy more competitive; and third, the increase of public revenues mostly through horizontal and indirect taxation.

The above crisis-solutions are based on a class-based neoliberal project that takes state’s debt and deficits as a cause rather as a symptom of the crisis (Mavroudeas 2013, Lapavitsas 2012). In this way, the systemic historical roots of the crisis are masked behind (often cultural) explanations of local profligacy and petty corruption. Up to 2008, the capital accumulation paradigm behind the image of “Strong Greece”, “modernization” and “Single Europe” was based on the existence of abundant foreign loanable funds, lending states with reasonable interest rates. The financialization of the economy amplified further the problem of over-accumulation but in a way postponed the crisis till the moment arrived when lenders decided to impose very high interest rates and, as a result, state dept became insolvent and current account deficits uncontrolled.

Between 2009 and 2013, GDP loss was approximately 26%, while debt to GDP ratio reached 175% in 2013 (Eurostat)[2]. For the same year, registered unemployment was 27.6% whereas a plan to dismiss 15.000 public servants has already been announced. Austerity measures included among others: a reduction of public sector salaries by up to 40%, reduction of minimum salaries by 22% (32% for those below 25), cuts of pensions and of one-off pension transfers by up to 83%, increase of TVA from 19% to 21%, 15% rise on fuel tax, new property taxes to be collected through electricity bills, rise of retirement age, severe cuts on various social benefits, introduction of entry-fees to public hospitals with a parallel reduction of health spending, cuts of domestic public investments, imposition of "special solidarity levy" etc. The fiscal/debt crisis has been transformed into a humanitarian crisis, with approximately one million people having no access to social security and healthcare (Oxfam report), suicide rate rising by 45% and elevated infant mortality.

The Geography of Crisis

Unfortunately, to date, there hasn't been any systematic attempt to draw the regional impact of the economic crisis in Greece. The scarcity of research is related to the difficulty of this task since there is a substantial lack of regional and local data. However there seems to be an emerging debate focusing around the degree of regional resilience (when analyzing separately regions) and around questions of regional convergence/divergence (when analyzing the regions comparatively). The term resilience signifies the ability of a region either to prevent or absorb the negative impact of a crisis or to adapt or successfully adjust to variable socio-economic conditions. These analyses are based on spatial econometric techniques that, although sometimes turn to be highly inconclusive, they can still help us depict some regional differentiation tendencies.

[2] http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tsdde410&plugin=1
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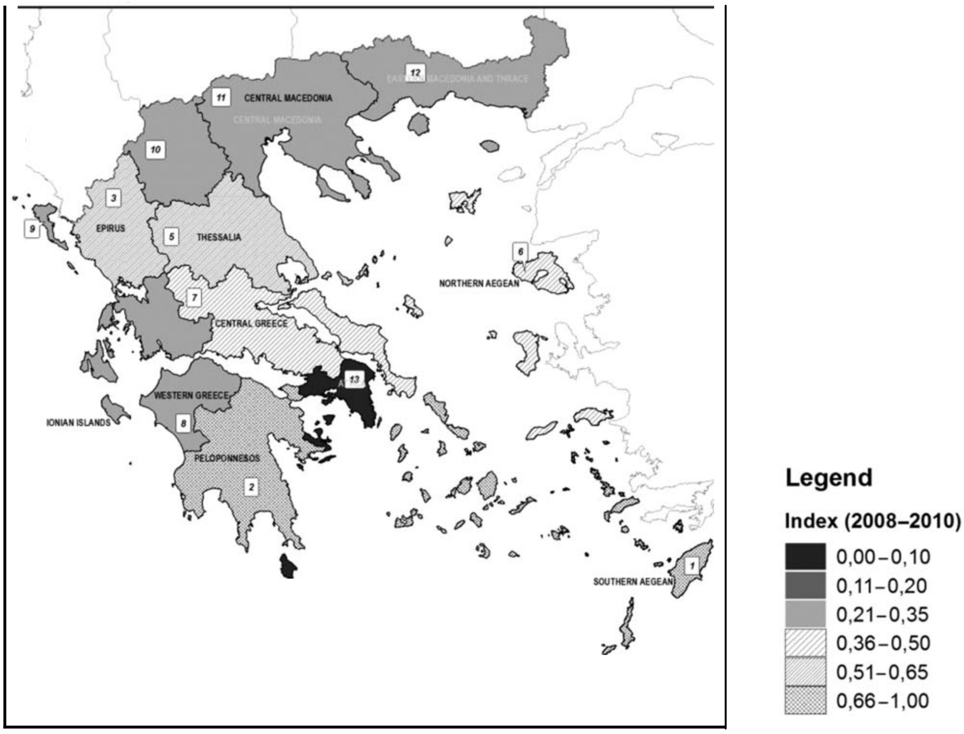

Figure 1. Assessment of Resilience (2008-2010)
Source: Psycharis et al. (2014)

According to Psycharis et al. (2014), and taking into consideration a series of socio-demographic, economic and welfare variables, the most resilient to crisis regions seem to be the South Aegean Islands, Crete, the Peloponnese and the region of Ipiros. The most vulnerable regions appear to be Attica, containing the capital of Athens, and the north border regions of East Macedonia and Thrace, Central Macedonia and Western Macedonia (Figure 1). If we look at more recent data from Eurostat on unemployment, we see that the regions with the highest rate of unemployment are the ones that have been hit harder by the crisis since they show the highest rise of unemployment between 2008 and 2012. For example, for 2013 unemployment rate reached 31.6% in Western Macedonia, 30.2% in Central Macedonia, 28.7% in Athens, and 28.4% in Western Greece. At the same time, between 2008-2012 unemployment rose by 22 percentage units in Athens, 21.8 in Thessaloniki, 19.7 for Central Greece and 19.1 in Western Macedonia. On the other side, the regions with the lowest rates of unemployment in 2013 were the Ionian Islands (18.1%), South Aegean (21.3%), Peloponnese (21.9%), Crete (24.9) and Thessaly (25.4). These same regions are the ones that showed the lowest growth of unemployment rates between 2008 and 2012 (with the exception of Crete where unemployment rose by 18.5 percentage units).

The Institute of Labor provides also some very interesting data on the regional labor markets and the composition of employment (ΙΝΕ/ΓΣΕΕ 2013): Between 2008 and 2012 wage labor at the national level has been reduced by -1,7%, corresponding to 63% of total active population. Even though Athens and Thessaloniki have a higher than average percentage of wage labor, the biggest reduction took place in North Aegean, Thessaly and Western Greece. Self-employment rates rose nationally, reaching a national average of 7,3% of total active population. However, the regional distribution is very unequal with Peloponnese and East Macedonia-Thrace having above 35%. The highest increase of self-employment was located in Crete and East-Macedonia-Thrace. Part-time employment also rose to 7,3% nationally. In the Ionian islands, Crete and Western Macedonia more than 10% of the active population has part-time contracts; the increase of this type of employment was significant in the Ionian islands (+8,5) and Crete (+5,2). Finally, temporary employment too rose significantly in these same regions, Ionian islands, Crete and South Aegean, although in the national level it slightly fell to 9,9% of active population.

In terms of sector distribution of productive structures, the most resilient regions are the ones that their economies are based on international tourism. To be fair, tourism did show signs of crisis earlier in the 2000s, probably because of the rising prices that followed the introduction of euro. Today, however, touristic regions, such as the districts (NUTSIII) of Cyclades in the Aegean Sea, the islands of Chios and Lefkada, Rethymno in Crete or the district of Chalkidiki in Central Macedonia, seem to keep employment and profit rates high. The relative good profile of Ipiros is probably related the recent development of the transport network, since two main axes -Egnatia Odos and Ionian Odos- meet there. This crossroad has recently transformed the port of Igoumenitsa into a dynamic export gate to Europe.

The districts of Athens and Thessaloniki on the contrary are the least resilient regions but we shouldn't forget also that these were the regions that profited the most in the previous era, and this for two reasons: First, because the economic restructuring pattern of the 1990s and 2000s - based on the service sector services - once again favored the capital districts. Athens, in particular, apart from gathering almost half of the population and half of national GDP, was the main financial center of Greece, specialized in the so-called "modern sectors" of banking, real estate, insurance or other financial domains (and thus was the first district to be exposed to international crisis). Second, because from 1994 onwards, public investment and EU funds manifested strong re-centralization tendencies. Whereas the A' Community Support Framework from EU funded micro-programs that were more geographically dispersed, the B' Community Support Framework and Cohesion Fund financed mostly big infrastructure works in urban centers (Attica received 31.7%, Thessaloniki 8%). Such patterns of regional polarization were even more exacerbated in the 2000s, in view of the upcoming Olympic games in Athens in 2004 (Polyzos 2011). The end of EU funding in 2005 and the immediate exposure of the financial centers to the international crisis can partially explains the low resilient indicators of Athens and Thessaloniki.

Apart from the service sector, both Athens and Thessaloniki saw an important fall of their industrial GDP and employment. The crisis in industry was actually felt more in Thessaloniki because, since mid-90s, this region presented certain dynamism as a result of its export production industries trading with the Balkans. The two above-the-average industrial regions of Central Greece and West Macedonia seem to follow the two urban agglomerations in terms of crisis impact on unemployment. Looking closer, though, at the sectorial distribution of employment, at least until 2012, industrial employment fell by only 0,5% in Western Macedonia and it actually even slightly rose in Central Greece (unfortunately there are no available data for 2013 and 2014). On the contrary, what all the above "least resilient" regions have in common (and what also differentiates them from the rest of the regions- except from Crete) is actually the very big percentage of loss in the construction sector. Between 2008 and 2012, employment in construction fell by 3.1 units in Athens, 4.2 in Thessaloniki, 4.7 in Western Greece and 3.6 in Central Greece. Of course, we should bear in mind that these statistical data are just relative percentages and don't necessarily represent the absolute numbers. For example, even though in relative terms industrial employment rose in Central Greece, in reality 7.000 jobs were lost in this sector!

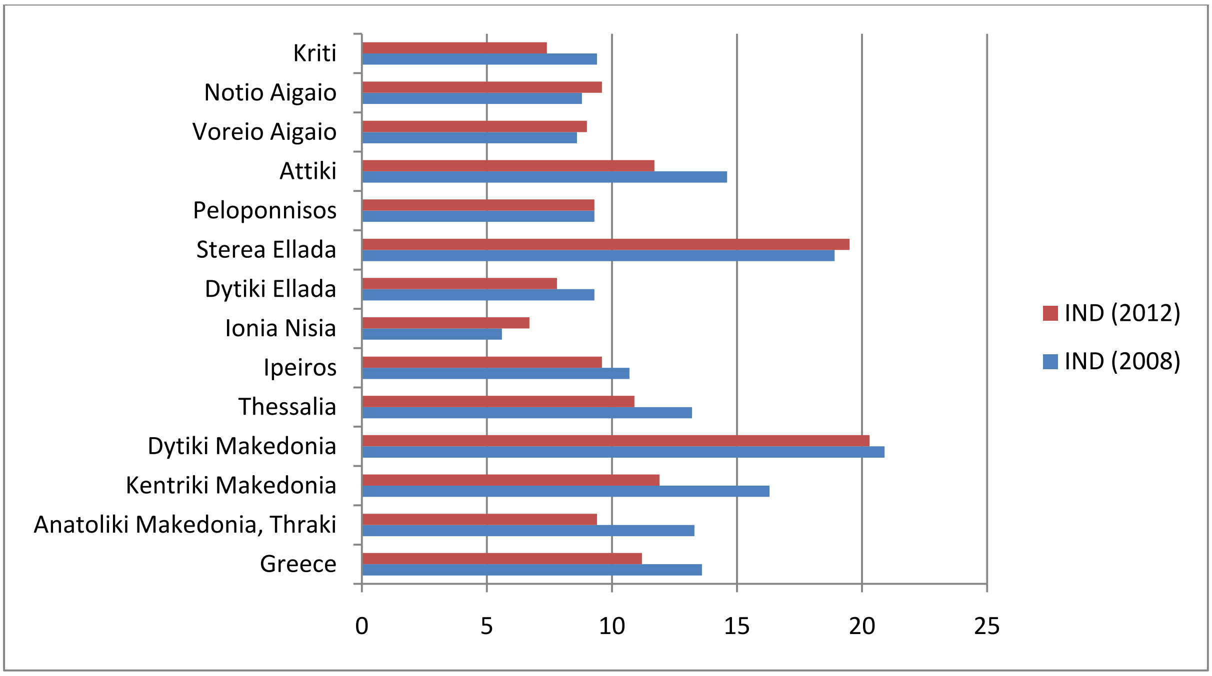

Figure 2. Regional industrial employment (excluding construction) 2008-2012
Source: Eurostat

In terms of unemployment, the agriculture-oriented regions of Peloponnese and Thessaly seem to be in a better condition to absorb the crisis impacts and have actually shown a growth of export activity even if, in absolute numbers, between 2008 and 2012 there is an important loss of agricultural employment (-11,400 for Peloponnese and -2,300 for Thessaly). In relative terms and for the same period, agricultural employment has instead risen significantly in the better-off regions: of the Ionian Islands (+3), Thessaly (+4.8), and Crete (+5.6). These rates are also positive in Western Greece (+5) and East Macedonia-Thrace (+3.8), although, the first had severe losses in the construction sector (-4) and the latter still undergoes a long de-industrialization process.

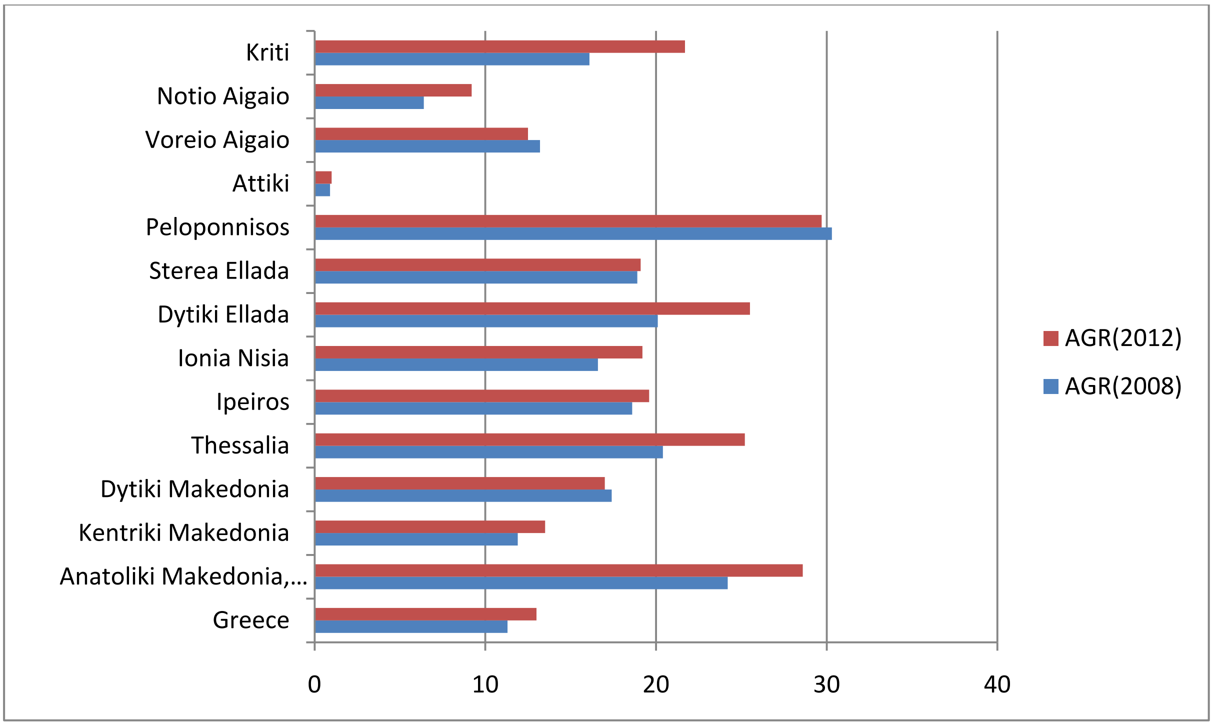

Figure 3. Regional employment in agriculture 2008-2012
Source: Eurostat

All the above findings show that several historical patterns of regional inequality are still very relevant, but also that there are both process of regional conversion (Psycharis et al. 2014) and diversion (Monastiriotis 2011). For example, whereas the previous period of economic boom in the 2000s has aggravated the socio-economic gap between the center and the periphery, the current crisis seems, with its severe effects on the metropolitan districts, to have (to a certain extent) narrowed these regional disparities. Monastiriotis (2014), analyzing the regional impact of the crisis on wage returns, argues that there seems to emerge a model of "convergence through crisis". Albeit different patterns in the distribution of returns, he points to an element of "spatial fairness" since individuals of similar profile (regarding education, type of job, age etc.) tend to receive similar wages irrespective of their regional location.

On the other hand, leaving the metropolitan regions aside, the North-West/Center-South dichotomy seems very persistent. The above statistical data reveal that, in fact, regional inequalities between the more dynamic and prosperous South and the structurally less favored and poor West and North have been magnified. Obviously, this is not simply the result of the sectorial distribution of production and the extent to which each sector was exposed to the crisis. We have to keep in mind that public investment, direct regional developmental policies and EU funding were very important sources for social reproduction in the North and West regions that have now ceased to exist. Furthermore, the austerity measures that have accompanied the Memorandum had a horizontal character (ex property taxation, cuts in pensions etc) and didn't take into consideration the existing regional inequalities. The level of income-dependence on public employment is also crucial in understanding the vulnerability of different regions (Caraveli and Tsionas 2012). For instance, Monastiriotis (2011) has calculated that public sector salaries and pensions constitute close to or over 50% of household incomes in the north and north-west of the country (Ipiros, Western Macedonia and North Aegean), while their share in the more high-income regions of the South are substantially lower. He assumes that following the severe cuts in the public sector, household incomes in the North have been reduced by 40% more than those in the South regions.

Overall, it seems that the current crisis has in various ways fostered the unequal patterns of regional polarization. Statistical data and econometric analyses can certainly help us draw some tendencies in the transformation of certain variables such as GDP, employment and unemployment rates, poverty rates etc. However, in order to explain this material we really need to understand, in the longue duree, the economic and political constitution of regional categories such as "North/South" or "center/periphery", the very nature of the current crisis and the very political project of "recovery".

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