Abstract

In the early 1990’s Greece enters a new age of globalization and economic change, by taking part in the process of European Integration. In this new environment, economic convergence and growth are the priorities of national economic policy, while development and production issues are put aside to be tackled by the regional policy of the Union. The main argument is that, by opening up and “modernizing” the economic structure, the national regional policy in Greece is devaluated and entirely dependent on political consensus on the targeting of European cohesion. The purpose of the paper is to describe the new policy model, as it is formed under the impact of internal and external, political and economic developments that lead to crisis, and to explain its geographic implications. We conclude that regional policy is turning to efficiency and distribution and leaves “unevenness” to be handled by the market forces, in the frame of a new paradigm that is expanded all over E.U..
Development on the fast track:
Economic change and regional policy in Greece (1993-2010)

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Introduction

The aim of the paper is to critically assess the model of regional policy that appears in Greece in the context of economic change and European Integration, with an aspiration to draw some useful conclusions on what did go wrong with our country’s development mode. The approach builds on the paradigm of political economy and critical geographies and thus, space is considered as open and relational/an on-going project. Among the principle hypothesis, we hold especially one: “Geography matters” when one seeks to understand economic inequalities, production structure or capitalistic development in time and place-specific societies (Massey, 1979/1984a/1984b/2005, Harvey, 2006).

To start with, some historical remarks are necessary. First of all, regional policy has been established as a coherent state policy in Greece, at the first years of “Metapolitefsi”. Some fragmentary objectives and initiatives were enacted before, however it is only after the accession to the E.E.C. (1981) that regional policy became a distinctive instrument to address the regional problem¹. The aim during this time and until the 1st CSF (1986-1993) is to reduce regional inequalities and promote balanced growth, via small and dispersed projects, in rural and remote areas, and so, criteria of equality and justice prevail.

Historically, it is noted that the Greek regional policy model follows its own path-dependency (Kafkalas, 1990). Up to the 1980’s policy follows in some delay international trends, such as the rise and fall of the social state or market liberalization and confronts minor problems of fordist crisis. Furthermore, it is highly centralized around the state and is coordinate to the unique features of modern-greek social formation. The coordination to the experience of the “developed countries” of Europe, comes only with European unification.

State and regions between convergence and cohesion

In general, it is at the signing of the Maastricht Treaty (1992) that Greece of globalization begins (Voulgaris, 2008). Orientation “towards Europe and the markets” entails on the one hand, fierce competition that leads the restructuring of production (Maravegias and Andreou, 2006, Gerorgakopoulos, 2008, Gekas, 2005) and on the other, a new model of economic policy, adopting liberal and monetarist principles, at least on terms of political discourse.

Especially the entry to the E.M.U., closely connected to Simitis’ vision for Europeanization and modernization², signifies the transformation of the economic model, which proves though ineffective on various aspects (Kazakos, 2010, Stathakis, 2010).

¹ A historical overview on regional policy in Greece in Papadaskalopoulos and Christofakis (2005).
2007, Argitis, 2005/2011, Stasinopoulos, 2011). Due to macroeconomic restrictions, national economic policy focuses on deflation, fiscal consolidation and horizontal structural changes, as well as on enforcing the private sector of the economy. Industry, investment and regional policies are left to the European Structural Funds and strategy for “convergence” dominates economic issues.

One can distinguish shortcomings or inefficiencies in this development mode, to which the contradictions of integration and European cohesion should be taken into account. On the one hand, accession to the EMU was based more on political pragmatism and less on scientific rationality (Vergopoulos, 1999, Pesmazoglou, 2011, Liargovas, 2006), as possible asymmetric shocks would be especially threatening to the weaker economies. On the other hand, the risk was up to a point counterbalanced by European regional policy, a strong solidarity mechanism to support socioeconomic development (Gioti-Papadaki, 1995), relying however on temporal and changing political consensuses around the complex and ambiguous meaning of European cohesion (Andrikopoulou, 2003, Hadjimichalis, 1996, De Rynck and McAleavey, 2001). What especially matters is, on the way to E.M.U., “cohesion” is downgraded at European politics, as it opposes basic principles of integration, like total efficiency and unhindered movement of factors (Andrikopoulou, 1995). At the same time, fiscal adjustment, as well as coordination of states’ economic policies, is most imperative to achieve stability and growth and ensure the smooth operation of the EU economy as a whole.

In Greece, these result in a fundamental contradiction between stabilization and development. First, national policy is engaged to macroeconomic targets and is indifferent to internal regional and production structure problems, at the heart of the economy. Thereafter, a European policy, which reproduces the dominant system of values, promotes agglomeration and works in favour of systemic efficiency takes over the issues of economic development.

Regulating distribution within or the new regional policy model

In this way, a political “deficit”, among European states and regions appears in our view, to have been determining also the inside regional affairs. By early 1990’s regional policy in Greece, is fully integrated and coordinated to the European, through the C.S.Fs and later the N.S.R.F., while it becomes all the more intensive in terms of budget and means (Likos, 2006, Papadaskalopoulos and Christofakis, 2005/2002). Nevertheless, socio-economic inequalities between Greek cities and regions grow (Petrakos and Psycharis, 2004, Oikonomou and Petrakos, 2004b, Lolos, 2009), while regional convergence to European GDP per capita appears weak. At the same time, a clear reorientation of regional strategies and policies has been taking place, described as follows:

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3 Cohesion policy’s turn to efficiency, although its mission is to promote redistribution and “harmonious development” or the prevalence of economic indicators that do not apply to all (GDP per capita) could not be separated from the insisting pattern of uneven development between the “center” and the “periphery”, the “north” and the “south” of Europe (e.g. EC, 2007/2010, Petrakos and Rodriguez-Pose, 2003).

4 There can be several different views on that matter, depending on the variables or methodology of research (e.g. Petrakos and Psycharis, 2004, EC, 2007/2010, Drettakis, 2003, Barry, 2003, Siripioulos et al., 1997). In any case, disparities remain strong and convergence is slow for the regions, especially in comparison to national convergence.
First of all, there are no national development plans. The regulation framework is coordinated to the European and the country is bound up to decisions and guidelines of the structural funds, which are the outcome of political negotiations. The standard procedure is that national and regional authorities submit proposed operational programs to the European Committee, which approves the final. In addition, sophisticated scientific techniques are becoming extinct in national planning and the usual focus is on planning stabilization, rather than development (Katochianou, 2011).

Policy turns to the national dimension of the development process. This is attested by four facts: a) Strategic priorities focus on competitiveness and an outward-looking stance for regions, and precisely on promoting transports and interregional networks b) Public investment concentrates on dynamic metropolitan areas, as well as along the country’s main development axis (Petrakos and Psycharis, 2004). c) There is no strategic planning concerning regional/interregional development, while the regional dimension of the CSFs is gradually weakened (Psycharis, 2004). In this way, actions and guidelines for the regions are usually supplementary to horizontal/national policies, generating random distribution. It is obvious that priority on the national scale serves efficiency, which is in a way justified. As the country is eligible for large scale support for the total of its regions in most programming periods, the regional problem nearly coincides to a national one.

Priority is on infrastructure. Transport and telecommunication networks are particularly important to foster exports, competitiveness and growth, and reduce business transaction costs. In this context, most regional programmes refer to the region’s “geographic advantage” and the need to use it in the new economic order (Plaskovitis, 2008). In total, technical infrastructure absorbs the great majority of funds due to several reasons (Paraskevopoulos, 2003). First, it is related to the interests of newly liberalized or upcoming markets, as well as to the preparation for the Olympic Games 2004. Secondly, it offers an opportunity to utilize significant additional support, provided by the European Cohesion Fund. Nonetheless, “over-investment” on infrastructure, due to the country’s urgent needs, was fulfilled through mismanagement and poor quality projects, depriving resources from other uses. Also, it was to bring ambiguous results to the peripheral and disadvantageous areas as extension of the markets should be expected to benefit more the national or European centers of dynamic growth.

Industrial policy is also changing. The emphasis is on attracting large scale investments and on horizontal measures to improve macroeconomic and business environment and promote clusters and networks, r&td actions and vocational training, in a way that the regional dimension of industrial policy becomes irrelevant (Karamesini, 2002). Likewise, in “Anaptyxiakos Nomos” grants are combined to indirect support, since the general idea is to safeguard market competition, while spatial differentiation of incentives is gradually relaxed (Petrakos and Psycharis, 2004).

Progressive instruments on endogenous development appear. Local development is another European model applied in Greece during the 1990’s (Christofakis, 2001, Papadaskalopoulos, 1995). The principle critique rests on its indiscriminate use, as was the case with “flexible specialization” (or the Third Italy model that substituted the growth poles) or on the model’s least relevance to

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5 e.g. see Liargovas and Andreou (2007), Papadaskalopoulos and Christofakis (2002).
6 more than 40% of the funds in programming periods 1994-1999, 2000-2006.
redistribution or the needs of less developed areas. Utilization of endogenous resources, especially smes, technological change and social capital, can be suitable in a different national and institutional context, as in regions with strong competitive advantage (Karamesini, 2002) and their peripheries (e.g. in North Europe). Instead, there are poor assets to exploit in lagging-behind rural or mountainous areas\(^7\) or in a local governing system, with no previous experience regarding decentralized planning or participatory procedures (Trantas, 2006).

The state of the art is business strategies applied in regions. Especially after 2000, European and Greek regions are striving for competitiveness, as well as cooperate in networks and clusters. The first strategy aims at building and showcasing stories of success, while the second at the territorial “diffusion” of know-how and best practices. Additionally, marketing strategies are used to attract visitors, investment and businesses, in tourist areas and cities (e.g. Lagos and Dionisopoulou, 2003), often framed by physical planning to improve the urban environment (Oikonomou and Petrakos, 2004a). In general, this is another contradiction applied at the regional level. Market competition is combined to cooperation for cohesion, in favor of divergence and convergence at the same time.

“Financialization” meets regional development. In the years of fast growth of the financial sector it is noted that many regional development projects in Greece get supported by banking and financial institutions. Especially during “modernization”, stock-exchange facilitated the concentration of funds for large-scale public constructions and privatizations (Pagoulatos, 2007) and financial tools were used in investment policy. For example, by the mid 2000’s public - private partnerships became an innovative practice for public constructions (Kazakos, 2010), while incentives to industry and high-technology include leasing and venture capital support. On top of these, the European Commission launches new “Special Support Instruments” in 2007, which combine grants with loans for business and regional development, available also to beneficiaries in Greece.

Spatial planning is still absent. Spatial planning in Greece is traditionally deficient, or even better put, pending. Another promising general spatial plan was enacted in 2008\(^8\) but is still not implemented. On top of that, economic crisis and the Law "Acceleration and Transparency of Implementation of Strategic Investments"\(^9\) known as “Fast Track”, made matters even worse. The new framework for the implementation of large public and private projects legitimizes flexibility, since spatial planning regulations can be bypassed, depending on the needs and priorities of the “strategic investment” (Klampatsea, 2011). It is notably interesting, that spatial planning in reception areas can be adjusted to the investor’s requirements or that there are special provisions to facilitate installations on the shoreline. Following these, there is the overall impression that spatial planning (obscure as it is), reduces space to a container and thus, investment just happens in time and place.

Decentralization is still deficient. Decentralization of State power was reached through successive laws for the restructuring of local government. These coincided to major efforts to rationalize public/local finances\(^10\) and also, to build a system of multilevel governance, with poor results whatsoever. Central state remained strong and local governments weak to deal with vital issues of development (Petrakos and

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\(^7\) see the case of C.I.P. Leader.
\(^8\) Law Nr. 6876/4871.
\(^9\) Law Nr. 3894/2010
\(^10\) Law Nr. 2539/1997 known as “Kapodistrias” was voted during the preparation towards the euro, while the Law 3852(2010) known as “Kalikratis”, under the pressure of the fiscal crisis.
Psycharis, 2004, Paraskevopoulos, 2003). In addition, organizational rigidities of public administration and basic problems of the political system were reproduced at the local scale, while the absence of a culture for policy learning and poor investment in human capital made adjustment to European requirements even more difficult (Trantas, 2006). In this way, planning “from below” proved to be more of wishful thinking. Instead, the state managed to pass on functions and disperse responsibilities in times of fiscal consolidation.

Conclusions

To conclude, the new model of regional policy is oriented towards efficiency and maintains a distributional role, in close relation to the retreat of traditional state policies, an international trend, embedded in a specific historical - geographic context. Apparently, the intersection of the national and community regional policy is crucial on the remedy of the country’s regional problem. It is at that point in time that geography really matters, as inequalities inside Greece are introduced into a broader-systemic problem which is to be resolved, through compromise of political interests and socioeconomic aspirations. The same awkward symbiosis of ambiguous objectives -for growth and cohesion-, is reproduced at the subnational level, as regional policy sets horizontal priorities and fosters agglomeration and spatial concentration.

Our main assertion is that in the case of Greece, modernization and global integration entailed the deregulation and re-regulation of regional policy, to an extent that the absence of the state, is not creating any more problems to the regions, than those it solves. Inherent deficiencies in the political system, production structure or the organization of institutions could explain state’s withdrawal from the matters of development; nonetheless, the “national problem” is of vivid importance. The country’s need to converge and “catch up” had been superior to the needs of the regions, and so regional policy became irrelevant and considered as luxury.

On seeking the failure of Greece to approach the European Integration, we pose only one thought. Uneven development is forever (Hudson, 2007). Having admitted that, every region in time earns the right to its own development path, on the slow or on the fast track, which brings us back to the origins of the European Community, this unique world endeavor of investing in geography of heterogeneity (EC, 1969).

Bibliography


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