

**Market Reforms and Urban Disparity:  
The cases of Athens & Thessaloniki**

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## **Introduction**

The collapse of the Eastern Bloc in 1989, given Thessaloniki's geographical proximity to Eastern Europe, gave rise to a series of expectations in the early to mid-90's regarding the city's regional role and metropolitan vocation. However, these expectations were subsequently eclipsed by the indisputable ascendancy of Athens-based corporate entities, both domestically and in South Eastern Europe.

The corresponding inability of Thessaloniki-based capital to present anything closely resembling its Athenian counterpart in terms of size and sophistication of operations has been painfully obvious. This was even more so, at a period when a series of market reforms in Greece, as elsewhere in Europe, have placed corporate performance at the very forefront of public discourse. However, capital formation within the boundaries of Athens, Greece's capital, and its impact on Thessaloniki's own prospects has not yet been examined. It is the primary purpose of this paper to address this omission. By doing so we can bring to the fore an important if emergent cleavage in the Greek polity as economic power agglomerates in specific urban planes and not in others.

We will substantiate the significance of our research focus by evaluating the impact of the market reforms that had taken place in Greece in the 1990's on capital formation and behaviour. Our starting point will be the efforts of the Greek state, the stabilisation state as it has been described (Pagoulatos, 2003), to improve its fiscal position by disposing of state assets in view of its European Economic and Monetary Union (EMU) entry strategy.

Furthermore, in our examination, we will refer to and utilise those contributions in the political economy and economic geography literature which have focused on how economic and political power are differentiated by the various territories within which they are bound (Storper, 1992, Sassen, 1998). This underlying conceptual framework will be overlaid by evidence which mostly derives from research generated by market

actors, the Greek press and material that the author has had access to in the course of his professional career<sup>1</sup>.

Analysing the disequilibria that build up within a single national space, we will point to subnational urban units competing with each other in the provision of untraded, because territorially determined, interdependencies. By doing so we will assume a view point that visualises the “territorial site ... [as] an extensive work place that brings disparate production activities into advantageous relation with each other...[such sites are]territorial complexes... [that] ease information sharing, allow pooling of labor and fixed capital, stabilize physical and social relations... and generate distinct cultural practices over time.”<sup>2</sup>

The story of late 20<sup>th</sup> century Athens is the story of the rise of such a territorial site. As such Athens becomes realized through the privileged relationship of its corporate elite with macro economic processes, which involves multiplying and deepening linkages with the international financial and corporate services markets. This relationship avails to Athens-based corporate entities superior performance compared to any other competing group in Greece. In Athens an empowered corporate elite extends its dominance in ways anew throughout the nation’s territory and even beyond it. This dominance is put into effect through an expanding number of partnerships and alliances woven within the Athens metropolitan area and between Athens and major international centers.

This rise of corporate power has been further facilitated by another strategic goal of the Greek political leadership, namely the transformation of the capital into a credible functional and symbolic entity, both to the nation and abroad. Winning the competition for hosting the 2004 Olympic Games in Athens has enabled the Greek Government to push through an ambitious infrastructure programme for the capital which is validated by the global extravaganza that the Games are. At the same time

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<sup>1</sup> During the period 1996-1999 I served as advisor to the Governor of National Bank of Greece (NBG). During that period NBG took a leading role in all the developments that are traced in this paper, such as intensified accessing of the local and international capital markets, culminating in the trading of its shares in the New York Stock Exchange and growing linkages with repatriated Greek capital mostly of shipping origin.

<sup>2</sup> Storper M., Walker R., *The Capitalist Imperative: Territory, Technology and Industrial Growth*, Blackwell, 1992, p.138

the holding of the Games bears visible proof to the Greek public that its Government is capable of conversing successfully with globality. Massive in economic terms the Games have a direct influence on corporate agglomeration and projection, cementing the alliance of the corporate world with the Government, in the pursuit of a mission which enjoys considerable public support. They are indispensable to our story and are treated as such.

We will then contrast Thessaloniki's historical character as an important Ottoman port city with its role as the second largest city of the emergent Greek nation-state, both well-researched themes which we will present in summary form. We delineate how the city's Ottoman experience afforded intense linkages with the liberal economic order of the 19<sup>th</sup> century and how these linkages were ultimately abandoned in the twentieth. The Greek nation-state benefited from Athens' classical pedigree, winning philhellenic friends and legitimacy in 19<sup>th</sup> century Europe when Athens was chosen to be the capital; yet, the same political vectors dominated and ultimately destroyed Thessaloniki's 19<sup>th</sup> century multiethnicity and entrepreneurial achievement. Still, Thessaloniki was crucial in the context of the expansion and later consolidation of the Greek nation-state. If it lost as an entrepot conversant with the world, it gained as a vital participant in the drama of nation-building which dominated the 20<sup>th</sup> century.

The novel element today, however, ignored to our knowledge by the literature, lies in Athens' recent preeminence resulting from its own interaction with the world in its capacity as the capital of the Greek state. This interaction makes redundant Thessaloniki's role as the Greek nation-state's regional consolidator in Northern Greece. Not only the nation-state does not face the mortal threats than it did in the past but, in the context of its EU membership and of present-day globalisation, its choices and decisions profoundly privilege power and power brokers within the boundaries of a particular city – Athens. Athens assumes capabilities and purposes that can no longer be said to be integral to the fortunes of secondary though previously indispensable entities like Thessaloniki.

Furthermore Athens' transformed role correspondingly diminishes, both in fact and in perception, Thessaloniki's business leadership. The latter, lacking in access to the

stabilization state and its processes, and the sophistication that such access brings into being, fails to amass a set of substantive interests. Crucially this has demonstrated itself in the policy initiatives that have involved Thessaloniki in the last decade. These, even when supportive of Thessaloniki's unique relationship with the surrounding Balkan region, in reality have been a derivative and dependent simulacra, a Potemkin Village, of Athenian preeminence. This construct has nonetheless been blessed both by the city's business and political leadership. By the former because they lacked the knowledge and resources to seek something more substantial. By the latter, because these initiatives at least gave the impression of action in the city, with central government support, an impression that would cover their local flanks while they pursued essentially Athens-bound political ambitions.

This is not to mean that a fiction can maintain a stasis for a considerable amount of time, as relations that were previously unequal but complimentary now become purely unequal. On the contrary, at the city level, voice and power is given to those political actors that hark to the city's previous role as the nation-state's consolidator, their persuasiveness animated by the failure to compete with the capital. The central government remains engaged to the city, its grievances being both a source of threat and opportunity, in political terms.

The conundrum that emerges is that the same disequilibria that continue to compel a response by the central government, with the unsurpassed resources in its command, also continue to structure an urban polity that is uninterested in the kind of future for the city that these resources could be made to work for.

## Making a Capital

We shall commence by assessing the impact on Athens which comes about as Greece is being transformed in the 1990's "from... a developmental state to a fully fledged 'stabilisation state'"<sup>3</sup>. The onset of the stabilisation state has, we will argue, a transformative effect on Athens and by extension on the way it relates to the country's second city, Thessaloniki.

Briefly, the Greek Government will seek to rely on the market and to diminish state interventions in order to improve its fiscal position. In the 1990's EMU transition period, the stabilisation state would accept the goal setting of the externally imposed EMU nominal convergence criteria as well as the associated surveillance mechanisms. In combination these two would determine the thrust of its policy making. Achieving the EMU convergence criteria, and the fiscal discipline that they sought to underpin, was not purely the result of intergovernmental agreement. It was also depended on the liberalized and globalized financial markets which have been either penalizing any medium- to long-term divergence from fiscal discipline or rewarding convergence. In the latter case the reward to the stabilisation state would take the form of increasing demand for Greece's liquid assets, as in currency, bonds and equities, lower interest rate premia and a higher rate of growth.

What are the corollaries and consequences of the Greek stabilisation state, from our point of view? A sustained drive for state asset disposals and privatisation<sup>4</sup>, primarily focused in the banking and utilities sectors, and a booming capital market<sup>5</sup>. The increasing operational autonomy of banks and utility companies in a liberalised environment also had a beneficial effect on corporate performance. In conjunction

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<sup>3</sup> Pagoulatos G., *Greece's New Political Economy-State, Finance and Growth from Postwar to EMU*, Palgrave, 2003, p. 204.

<sup>4</sup> In the decade from 1992 to 2002 there have been 62 privatisation-related transactions, completed or in process, fourteen of which were in the banking sector, 18 in telecoms and other utilities and four in tourism and gambling. The pace of privatisations was accelerated in 1998 and total privatisation receipts amounted to close to 4 per cent of GDP in 1999. Barring two marginal exceptions, all of these state-related entities are headquartered in Athens.

<sup>5</sup> Market capitalisation of the Athens Stock Exchange was until the mid-90's less than 20 per cent of Greek GDP, one of the lowest in the OECD area. At the height of the stock market boom, in 1999, it climbed to 175 per cent of GDP, up from 63 per cent in 1998.



these processes made the Athens Stock Exchange (ASE) an increasingly attractive proposition. In a virtuous circle improved corporate performance raised the valuation of Greek equities, enhancing the proceeds from the Government's ongoing privatisation programme and thus further strengthened the Government's fiscal credentials with global markets. That in turn enabled for Greek debt to be offered at falling interest rates which in turn, by lowering the cost of money and boosting growth, further improved corporate prospects. And so on....

The rise of the stabilisation state has been in constant interaction with two other interrelated processes which have been mostly enacted within the Attica region, which is to say Athens and its port Piraeus. First, we can identify an infusion of capital and know-how from abroad, originating in the world's main money and capital centres (including the repatriation of Greek investors, mostly from the shipping sector), to Athens-based corporates. Second, this infusion has been accompanied by norms of corporate governance and operations which are dominant in the world's capital markets and diffused and replicated by Greek regulatory authorities, institutional investors and Greek corporate entities which adopt them to a lesser or greater degree. The stabilisation state crucially seeks validation of its mission through its candidature and organisation of the Olympic Games in 2004. The Games cement the stabilisation state's alliance with Greek capital. They also accelerate corporate agglomeration and enhance corporate performance and articulation on the urban plane with unintentional but important effects on the rise of an urban consciousness in Athens.

### **The Stabilisation State and Corporate Power**

In the following table, which covers the years 1999-2002, we can assess the magnitude of this process, from a sectoral point of view. Indicatively, ex state-owned or state-controlled enterprises sourced in that period, through shares and convertible bonds issuance, 9.6 billion euros which amounted to 37.7 % of the total of 28,2 billion euros. The total of 28.2 billions raised in this four year period, to give an order of magnitude, was equal to 20 % of Greece's 2002 GDP.

<i>Total funds raised by Greek corporates in 1999-2002 by sector in the capital markets</i>		
Sector	Euro bln	% of total
Banks	5.3	18.9 %
Telecoms	4.3	15.5 %
Investment Companies	2.7	9.7 %
Construction	2.1	7.4%
Food-Beverages	1.9	6.8%
Utilities	1	3.8%
Other	10.9	38.6%
Total	28.2	

Source: Kathimerini Newspaper

Crucially, foreign and domestic demand for shares traded in the ASE reinforced each other and trading volumes grew; an infrastructure emerged in Athens and primarily London (but also in other international money and capital centres) to place, analyse, and trade in the equities of Greece's privatised state assets. In turn, the market's absorptive capacity was increased, enabling yet more corporate entities to follow the ASE route, either in the context of the government's growing assets disposal effort or from the private sector. The latter, predominantly Athens-based corporate entities, responded with alacrity as they were attracted by the possibility of raising cheaper long-term capital to finance their operations and realise their strategic intent.

The build-up of this infrastructure is indicated by the following table, listing the equity analysts judged to be the most competent by those institutional investors which invest in Greek shares. Athens and London-based, these equity analysts and the companies that they analyse speak a common language, in terms of explaining corporate performance. This discourse both affects the nature of corporate operations and the ability to execute them. Communicating with the capital markets affects the ability to access funds, and the ability to negotiate the price of such funding.

<i>Rankings by Institutional Investors of Analysts covering the Athens Stock Exchange (top 5) 2003</i>		
Analyst Team	Votes	Percentage
UBS Warburg	12	26 %
Citigroup/SSSB	7	15%
National Bank of Greece	6	13%
Alpha Brokerage	5	11%
Deutsche Bank	4	9%

Source: Institutional Investor Magazine

Conversely, such communication and its effects are not available to those corporations that lack the size and inclination to enter the capital markets. The analysts in the table above cover most extensively, if not exclusively, the largest capitalization stocks in the most promising sectors. Most of these companies are included in the FT/ASE20 and the FT/ASE 40 stock indexes. None of the companies composing the FTASE-20 is headquartered outside Athens, and only four of the companies that compose the FTASE-40 are headquartered outside Athens. The acculturation and the means that the capital market has availed in Greece are thus, most-definitely, territorially bounded.

In effect, the Greek stabilisation state brings Athens-based corporates into close contact with global financial services, general corporate services, and norms of corporate action articulated in the world's premier urban centres. Thus the city's previous exclusion up until the early 90's from an increasingly important network of cities, in stark contrast to other major cities in Mediterranean Europe (Leontidou, 1995), is now in full scale retreat. Most visibly, London finances or helps frame the financing of particular Athens-based corporate strategies which can only be implemented through comprehensive and in situ corporate reorganisations.

Effectively, as liberalisation accelerates it tends to accumulate and channel the organizational commodities that enable its actualisation in particular places (Sassen, 1998, 2000). These commodities are produced by investment bankers, lawyers,

accountants, and management consultants, and fall under the rubric of advanced corporate services. Furthermore corporate size attracts advanced corporate services and the use of such services allows for size to keep growing<sup>6</sup>. We can see the materialization of this process in the following table, which refers to the largest investment banking transactions that took place in Greece from 1995 to 2002.

Analysis of the 56 Greek-related transactions exceeding 100 million euros in the period 1995-2002		
25 of these transactions involved either privatisation of state assets or M&A's and/or capital raises of state owned or controlled enterprises, in the process of privatisation, all of which, with the exception of one, are headquartered in Athens.	All the acquirers, with one exception, are either headquartered in Athens or are non-Greek entities acquiring assets or participations which relate to Athens-headquartered entities.	In 28 of these transactions London-based international financial institutions or Big Six accounting houses played an advisory role either for the acquirer or the acquired.

Source: Thomson Financial

We notice three things and surmise a fourth from the above data. First, the Greek state's privatisation effort is a major generator of complex corporate action of

<sup>6</sup> Indicatively, a study of accounting firms in Greece (Citron and Manalis, 2000) found a strongly positive correlation between the choice of a Big Six auditor and the size of the ASE listed companies, the size of their foreign shareholding (47 percent versus 12 percent in 1993, and 52 percent versus 13 percent in 1997, of such companies chose a Big Six auditor) and membership in the financial sector. The study covered the period from 1993 (1993 being the year that the Big Six were allowed to offer audit services in Greece) to 1997 (i.e. even before the acceleration of the Government's privatization programme and the onset of the Stock Market boom). The motives for the selection of one the Big Six firms as an auditor were attributed to the need to provide comfort to international institutional investors, a need particularly felt by large capitalization companies and financial institutions which tend to be large capitalization and where, additionally, trust in their accounts is uniquely important. More difficult to record are the advisory assignments in information technology, management restructuring, and internal accounting. They are as crucial, in terms of the transfer, adoption, and dissemination of advanced business practices within a territorially bounded space.

increasing magnitude. Due to the fact that most important state entities are headquartered in Athens, such action tends to materialise in Athens. Second, acquirers either acquire Athens-headquartered assets or acquire non-Athens headquartered assets from Athens. Corporate consolidation is either driven by Athens-based entities or involves sophisticated multinationals acquiring strategic control over Athens-headquartered assets. Consequently, both corporate control and advanced know-how concentrate in Athens. Third, London-based international financial institutions or Greek subsidiaries of multinational corporate services firms have a prominent role in transactions of large size. Even when this is not the case, these transactions are effected by their Athens-based Greek-owned competitors which share in similar skills and expertise and whose personnel often have served in them at an earlier stage in their careers. Lastly, an Athens-based corporate elite is socialised into sophistication, an international outlook, the inclination and ability to think, execute and implement business ventures of ever-growing scope and reach.<sup>7</sup>

Focusing on Athens enables us to notice how the stabilisation state enlisted the intermediation and funding capabilities of a centre such as London. Processes which resulted in corporate modernisation and agglomeration became embedded within Athens and its relative institutional locations, most prominently that of the ASE.

A powerful interacting factor, unique to Greece, relates to the repatriation of ultra-sophisticated Greek capital of global reach. Mainly shipping-related,<sup>8</sup> this capital and its owners reside corporately and physically in centres such as London; making extensive use of the products and services of these centres, such capital is, in its own right, a constituent part of them. It has been estimated that, “Greek shipowners resident in London, or resident overseas with an agency in London which was

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<sup>7</sup> A typical transaction, which was in excess of 100 million euros, involved a multinational telecoms company and the ASE-listed subsidiary of another multinational telecoms company. The multinational telcom company engaged the services of its Athens-based legal advisor over a period of three months, resulting in 72 billable hours, engaging six lawyers and involving consultation with the ASE authorities, review of the case law, drafting of agreements, constructing the mechanics of the transaction (setting up escrow accounts, share purchase agreements and the like), exchange of numerous emails, conducting of conference calls and meetings with company representatives and legal advisors from abroad. Athens-based accountants and company managers were engaged with similar intensity for the transaction to be completed. Hundreds of such transactions took place in the last decade, engaging mostly Athens-based entities and professionals with foreign entities and counterparts.

<sup>8</sup> The Greek-owned fleet is the world’s largest, accounting for about 15.5 per cent of displacement and 17.8 percent of the carrying capacity of the global merchant fleet.

managed by a member of the family, control... about 70m dwt of shipping, and, in terms of tonnage, 10 % of the world tanker and bulk carrier fleets of ships above 1,000 tons.”<sup>9</sup> UK maritime services, of which the London Greeks constitute the core constituency, in 1999 earned 948 million pounds, through overseas transactions, out of the City’s total of 18 bn, that is to say 10 % of the total.<sup>10</sup> So crucial is the presence of the London Greeks for the UK’s continued role in maritime services that it has considered to have a bearing on UK taxation policies towards the so-called ‘non-domiciled individuals’.<sup>11</sup>

Furthermore, we must ponder the magnitude of the sector, particularly so from the point of view of its geographic concentration, in Greece itself (e.g. Athens and Pireaus). In the year 2000 shipping contributed more to Greek GDP than *the totality of EU funding*.<sup>12</sup>

Indicative of this contribution is the rising number of Greek financial institutions entering the market for shipping loans. As lending to the state has become less profitable, Greek banks have been compelled to grow their corporate loan portfolio. Intensifying sectoral competition, which has been spawned by privatisations and market liberalisation (the same causes that have contained state borrowing) have lead them to improve operations to an extent that they can service a sophisticated clientele, such as that comprised by Greek ship-owners. The loan portfolio of Greek banks toward the shipping sector increased by about 28 % in 2002 compared with 2000, amounting to USD 3.8 billion. Approximately 20 % of the credit extended to Greek ship-owners is owned by Greek financial institutions, with 11 Greek financial

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<sup>9</sup> Pratten C., ‘The Contribution of the Foreign Shipping Community to the UK Economy and the Economic Effects of a Change to the Taxation of the Foreign Shipping Community – A Report for the Baltic Exchange’, *Department of Applied Economics-University of Cambridge*, August 2002

<sup>10</sup> *Ibid.* p.12

<sup>11</sup> Parker A., ‘Wealthy grow wary of tax reform spectre’, *Financial Times*, July 22 2003, p.8

<sup>12</sup> The net contribution of shipping to the Greek balance of payments (i.e. after deducting outlays) was 4 billion euros in 2002, which amounted to approximately 9.8 percent of the gross current account receipts of goods and non-factor services. That means that shipping is almost half the size of (the massively important for the Greek economy) tourism, which amounted for 23.6 per cent of the gross current account receipts, but which is spread all over the country, in myriads of localities and tens of thousands of enterprises, small and large. By contrast, there are approximately 500 ship management companies located in Pireaus and the wider Attica region; they form a milieu where all the main protagonists are intimately aware of each other and market knowledge and expertise is constantly disseminated. That milieu feeds into London, where about one fifth of the world fleet is operated by agency companies; the largest group among them are the London Greeks, who operate some 120 agencies.

institutions being engaged in shipping finance. Most prominent among them are the National Bank of Greece (NBG) and Alpha Bank, both among the top ten global financial institutions engaged in Greek-related shipping finance.

Banks active in shipping in Greece as of 2001	
Greek banks	9
Non-Greek banks with presence in Greece	11
Non-Greek banks using correspondents	20

Source: Petrofin

Lending to Greek ship-owners by top five financial institutions, end 2001 <sup>13</sup>	
Bank	Greek shipping portfolio (\$ bn)
Royal Bank of Scotland	2.60
Deutscheschiffsbank	1.25
National Bank of Greece	0.85
Alpha Bank	0.82
KFW	0.75

Source: Petrofin

Simultaneously, the Greek market provides repatriated ship-owners with a growing array of investment opportunities, primarily in finance and real estate. Indeed, in both these sectors Greek ship-owners prove to be significant players. Greek ship-owners, well accustomed to both forms of investment (as they have formed a component part of their diversification strategies in sophisticated market environments outside

<sup>13</sup> As with the investment banking transactions that we analysed, behind these growing shipping portfolios there is an intensified process of socialisation between local and international actors which can be traced back to the major priorities of the stabilisation state. It was the NBG's management appointed by the Government in early 1996 that effected the shift from financing Greek coastal shippers to that of the much more dynamic and sizeable ocean going, merchant marine companies. NBG's shipping division acquired a new head, who was previously employed at the Canadian bank Nova Scotia, and launched an intensive training effort with young shipping loan officers. A reformed Private Banking Division at NBG also sought to exploit synergies with the Shipping Division in order to manage a growing share of Greek ship-owners funds. This search for additional sources of interest and fee income at NBG and other Greek financial, from Greek-related shipping, has contributed to the multiplication of linkages between local and global processes in Athens and Piraeus.

Greece), can now leverage their expertise in an environment with which they are intimately familiar.

State privatisations underpin this process. The stabilisation state, through the execution of its core mission-- the improvement of its fiscal position -- creates the necessary conditions for the undertaking of the core shipping business as in the liberalisation-induced improvements in banking and telecoms. It also generates investment opportunities within Greece for the surplus cash that shipping habitually generates. The rising efficiency and sophistication of purely local players means that the two groups, indigenous and expatriate Greeks, enhance their impact by converging in terms of mind-set, operations and the alliances and competition that this convergence gives rise to. A space of opportunity is created where the indigenous with the repatriated business class can meet and become essentially conjoined, both through partnership and through competition<sup>14</sup>.

Thus it is that in Athens from the mid-90's onwards the "multiplier effects and increasing returns stem from the interdependence between the size of the city and its nodal role... due to critical mass effects in generating *demand* for external connectivity and to the effects of *supply* of external connectivity on the competitiveness of local activities"<sup>15</sup>. Critical to our thinking is that, in such a

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<sup>14</sup> Most prominently, the Geneva based Latsis Group bought the Bank of Crete from the Greek state in 1998 and two other privately owned banks to form, in EFG Ergasias, the third largest financial services group in Greece. More recently it merged its petroleum refinery subsidiary, Petrola, with Hellenic Petroleum, a previously state-owned concern. The Financial Times characterised the transaction in the following terms "The merger would also give Hellenic access to other Latsis assets, including its tanker fleet and expertise in investment banking, foreign currency and oil trading". The Mavrakakis family established Doriki Bank since then merged with Telesis, a Greek brokerage, and later acquired by EFG Ergasias. The Vardinoyannis family, turned Xios Bank into the first financial institution that was focused in consumer banking, which later was acquired by Piraeus Bank, in which the family has maintained a significant stake. The Laskaridis family established a casino and five star hotel together with Hyatt in Thessaloniki. It has also bought the most prestigious downtown Athens hotel Grand Bretagne that it runs with Starwoods and won the concession for the Greek state to manage the Parnassus casino together with Technodomiki, a leading Greek construction company. In both these cases shipping capital has struck international alliances in pursuit of opportunities availed by the stabilisation state. It was the Greek Government that gave out casino licenses for revenue purposes in the case of the Thessaloniki Hyatt and it was an emancipated from state-control NBG that sold its key shareholding at Grand Bretagne in the context of an aggressive disposal of non-core assets. The Konstantakopoulos family is building the first integrated tourist development area in Greece, in the Peloponnese, an investment of 550 million euros, again with the helping hand of the Greek state which has made possible the build-up of the necessary to the investment integrated infrastructure.

<sup>15</sup> Camachi R., 'The Economic Role and Spatial Contradictions of Global City-Regions: The Functional, Cognitive, and Evolutionary Context', in *Global City Regions: Trends, Theory, Policy*, ed. Scott A.J., Oxford University Press, 2001, p. 104



context, capital, both in the way and in the scale that it is accessed, is in a symbiotic relationship with practice, and that this symbiotic relationship is geographically bounded.

Athens with its institutions of governance of national reach such as regulatory authorities (i.e. the central bank, the securities and exchanges commission, the competition authority etc) and through its interaction with market actors residing in Athens and the wider Attica region, end up comprising a territorially specific local governance regime. Proximity to this national, but also inherently local Athens regime, in turn, contributes to size and sophistication, as these authorities provide sufficient mediation with global trends and institutions, and national dominance is thus underwritten. A unique policy set is evolving in the Athens area. This policy set is both of immeasurably greater sophistication and reach than anything else that might be occurring in any of Greece's secondary urban areas.

### **Athens and the Olympics**

The stabilisation state's strategic goal of EMU membership, has not been explicated in public discourse through the forbiddingly technical arguments in favour of monetary union, as such. Rather EMU entry has been presented as integral the country's continuing ability to belong to the EU - instead of being relegated to some sort of EU second league which would have cast ominous doubt on the durability of the country's European vocation.

The Olympic Games candidacy and later award for the holding of the Games in Athens in 2004 has been a powerful adjunct to the stabilisation state's credibility in addressing precisely this sense of an effective, durable 'belonging'. This is so because the Olympic Games, inherently, could be marshalled as an argument about the country's ability to relate to the world in ways favourable to itself and compatible with its character. Greece as a state, even during the struggle for its inception, has been privileged internationally because of its unique relationship with classical Greek

heritage – privileged at least in the context of the small size of its population and the reality of that population’s long-standing integration within the Ottoman Empire.

This has been a remarkably resilient thread in the tenor of Greek public life as well as in its strategic interaction with the West. Faubion suggests why this has been the case: “In the 19th century those Greek nationalists who were courting the favour of the Great powers were already obliged to inscribe themselves into a developmental matrix that had its instantiation in the Athens of the 5th century BC and its culmination in the Republican Paris. They were obliged in short at once to revivify the classical past and to reveal its continuity with an ostensibly orientalisised present. Their claim of kinship with the European community of nations could stand on nothing less.”<sup>16</sup> After all, it is not often that “Hegemony comes... full circle: dominant categorisations tend for once toward the empowering of the dominated. Governments would be foolish not to capitalise on a cultural distinction that has fallen into their hands.”<sup>17</sup>

Thus, whether applying for membership at the European Community in 1976 (at the time the least developed European state to do so, and to be admitted earlier than any other at a similar stage of development by 1981) or submitting its candidature for the Olympic Games (the smallest country in the Games’ recent history to be awarded such an honour) the country’s elites have played this card consistently. Particularly so when conditions have enabled them to engage in trends, and in pursuit of opportunities, which were availed outside the national borders. In this respect, the 2004 Olympic Games are another reiteration of a well-understood, well-known, and widely acceptable script for a nation which has often used its ancient heritage to strengthen its modern international credentials, both inside and outside Greece.

This is particularly the case at periods when reforms intensify and the domestic opposition that they inevitably generate needs to be assuaged and/or marginalised. Greece as a country proximate to highly developed Western Europe tends to be an importer and a ‘taker’ as opposed to an ‘originator’ of reform concepts and processes.

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<sup>16</sup> Faubion J.D., *Modern Greek Lessons: A Primer in Historical Constructivism*, Princeton University Press, 1993, p. 18  
<sup>17</sup> *Ibid.*, p.188

Inherently, reform-minded governments are the most alert and competent in interweaving the country's past with international processes to the advantage of their domestic political strategies.

Often enough this interweaving is place bounded. It was not for nothing that the small and ravaged Ottoman Athens ended up as capital of the Greek Kingdom, winning the prize over other, more functional at the time, candidates. As Skopetea notes, when a small and war-ravaged Ottoman garrison town was chosen in the early 1820's to be the capital of the new Greek Kingdom, from "...the standpoint of the State, the ancient monuments [in Athens] were the only prefabricated, ready-made symbols they could make use of."<sup>18</sup>

A reformist Greek government needs domestically to bask in the affirmation from the West as a credible executor of the country's classical legacy. More tangibly, the newly build Athens metro, highways, and airport constructed in preparation for the 2004 Summer Olympic Games, provide vital and politically useful reassurance on the country's modernising vocation. The importance of such reassurance can hardly be exaggerated, in a country still uncertain of its membership in the European family of nations not least because of its persistent failure to organise urban space in a shape and form recognisably 'European'.

Essentially, the Olympic Games present the challenge of a synthesis for the Greek Government and State: The Games avail the opportunity to reaffirm the country's participation with the advanced West but only to the extent that the country can perform at a manifestly Western level.

The consequences of this attempted synthesis, on the conjoined, Athens-bounded domestic and repatriated Greek capital, which the stabilisation state has helped come into being, are catalytic. What makes the Olympic Games unique, in addition to being an event of global prominence, is their magnitude, their technological sophistication and their association with corporate interests, whether these relate to sponsors or the contractors who will help prepare and manage them. After all the standard of

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<sup>18</sup> Skopetea E., *To Protipon Vasileio kai I Megali Idea*, Athina Politipon 1998

achievement that the Olympic Games called for could not but be attained by a combination of massive resources and the intensification of the country's global linkages and the participation of its globally aware business and corporate elite.

In particular, the Olympic Games contribution to Greek GDP is estimated to be 0.5 % in the period from 2001 to 2003, above 1 % in 2004 and above 0.5 % after 2004 and up until the end of the decade.<sup>19</sup> It is under the timeframe and requirements of the Olympic Games, the pressures and motivations that they have generated, that an ambitious infrastructure improvement programme in Athens has been designed and is being executed.<sup>20</sup> In turn the showcasing of the capital, by massively improving its functional ability to interact with the world, well serves a corporate milieu, which is itself intensifying its international connectedness.<sup>21</sup>

The organisation of the Games itself is a collective experience in globalisation for hundreds of Greek enterprises and thousands of employees as they perform under International Olympic Committee (IOC) standards and do so in collaboration with third parties from abroad. The rising international profile of the city accrues recognition and capacities beyond its borders, and those of the nation, to those corporate entities that are dominant within it. Thus the functional constituency for internationalisation, Athens-bounded lest we forget, is strengthened in size, attitudes, and coordinative ability. This is best seen in the construction sector, as the Games have been the determining catalyst for large infrastructure projects. As such, these projects intensify concentration in the construction sector as a decreasing number of

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<sup>19</sup> Alpha Bank, 'Olympiakoi Agones 2004: Prokleisis kai Eykairies gia tin Elliniki Oikonomia', *Oikonomiko Deltio*, Volume 78, June 2001

<sup>20</sup> Athens 2004 describes the infrastructure benefits of the Games to the city in these glowing terms: "Radical restructuring of the transportation system throughout the greater Attica region, underway for several years, will provide the necessary infrastructure by Games-time to set in motion the ATHENS 2004 Olympic Transport Plan... Major infrastructure changes will transform the city of Athens, improving the flow of traffic as well as the travel of commuters and visitors for years to come. More specifically, the legacy that the 2004 Olympic Games will leave to the Greek capital is the following: 120 kilometres of new modern roads; 90 km upgraded roads; 40 fly-overs; 7.7 km new Metro lines; 23.7 km Tram network; 32 km Suburban railway (reaching the new international airport); parking lots in central locations with new management systems; modern train stations; a new, ultra-modern Traffic Management Center."

<sup>21</sup> Alpha Bank, OTE the state telecoms utility, now quoted in the ASE and partly privatised, and Delta, the most prominent Greek food sector company, are three of the most important Greek 'Grand Sponsors' of the event. All three are exemplars in their use of the stock market, international recognition, and expansion in the region, of the corporate entities that have been shaped by the reforms of the stabilisation state.

firms can combine, interactively, privileged access to government decision-making together with execution capability. Naturally this process is also mediated and enhanced through the money and capital markets and the opportunity and motive for alliances that enhanced infrastructure provision gives rise to.<sup>22</sup>

The successful management of the candidature itself, bankrolled and masterminded by Gianna Angelopoulou, the wife of a prominent Greek industrialist and ship-owner, as well as her continuing leadership of 'Athens 2004', powerfully captures the mutual need and opportunity that reside within a deliberately extrovert Greek polity and its capitalists of international provenance. This symbiosis is not only materially significant to both parties; it is massively important in symbolic terms, as it confers priceless recognition at home and abroad to the now welcomed expatriate Greeks.<sup>23</sup> They are no longer London-residing, dime a dozen plutocrats. Rather they are the makers of a renewed Greece, receiving as compensation for their uprooting the atavistically satisfying, if grudging acknowledgment of their compatriots. And, to cap it all, they are projected as such by the international media onto the global scene where they still crave recognition.

In sum, the Olympic Games, to be enacted in August 2004, bring all of the elements that we have discussed previously to the fore: The intensified internationalisation of the Greek corporate elite and the repatriation and increasing prominence of the expatriate Greek capital. By doing so they both encapsulate them and enhance their

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<sup>22</sup> Legislation and project induced consolidation has limited by 80 %, from 1993, the number of higher-tier, in terms of size of fixed assets, construction companies. The own capital of construction companies from 1993 to 2001 grew by 956 %. Indicatively ASE construction companies grew their own capital in year 2001 by 38.5 % more than those who were not quoted. The Hellenic Technodomiki Group, the largest Greek construction group in volume, sales and market capitalisation terms, has captured the highest shares in public projects related to the 2004 Olympics (16 % share from a total current backlog of EUR 2.7 bn).

<sup>23</sup> It is worth lingering on Gianna Angelopoulou, a nearly iconic personality in Greece. Rising from modest circumstances to the pinnacle of Greek social, economic and political life, she married into the Aggelopoulos family, a powerful shipping and industrialist clan. She has been able to mobilise her husband's considerable material and social resources in support of the Greek candidacy for the Olympic Games, the ultimate success of which is widely acknowledged to be due to her tenacity, charm, and no-expense spared approach towards the International Olympic Committee. With her native understanding of how things are done, she has managed to match her husband's family name to a most prominent national cause. In a further twist, winning the Olympics has spurred the Greek Government's anti-terrorist effort which culminated in the capture of the 17<sup>th</sup> of November protagonists in the summer of 2002. 17<sup>th</sup> of November, an extreme left-wing terrorist organisation, which had targeted the Greek business elite and in particular its more cosmopolitan members, had assassinated, some years before, the uncle of Gianna Angelopoulou's husband.

impact. Infrastructural improvements to the city add value and size to corporate activity. Urban symbolism is appropriated and projected to domestic and international constituencies by the enlarged, quoted, and internationalised corporations and the owner/managerial elites than run them. Government and business manage the city together, to increasing effect.

### **The Capital, governed and made anew**

Inevitably, what goes round comes round. If from a corporate point of view, the city has become too important to be left to its own devices so it has been for the mass of its own denizens. Thus Greek corporate agglomeration and influence, as the partly unintended creation of the stabilisation state's EMU strategy and pursuit of the Olympic Games, is not devoid of benign public import in an urban context. This development partly reverses a previously salient feature of Athens, namely the indifferent relationship that the city had with its fragmented and undercapitalised business sector (Kourliouros, 1995).

Crucially, the undertaking of the urban interventions upon which the Games are contingent, coalesce with the effort to address public policy failures of the past. The Games seen from this perspective are but a lodestar, albeit an important one. Sooner or later the mobilization of the resources that are needed for the improvement of Athens's urban infrastructure would have taken place through the weight of sheer representation of the capital's population. In these terms, the retreat of first neighbourly solidarity and then real-estate family entrepreneurship that ruled the post-war Greek city and its landscape (Leontidou, 1990, Yannakou, 1993) does not solely entail the rise of anonymous corporate power in the city. By necessity it also coincides with the rise of urban consciousness, in terms of a newly found proclivity to be receptive to or even demanding of public solutions to public problems.

The grand bargain, of political fealty in exchange for the transfer of wealth through a land speculation which is not restricted by urban policy priorities, which made post-war Athens, has just about exhausted itself. The electorate can no longer be bribed with massive real estate gains which cannot be duplicated for the benefits of the

present and future generations. On the contrary the negative externalities that these gains have caused, though the unhindered maximisation of real estate exploitation, have been translated in public clamour for the provision of an adequate urban infrastructure.

The provision of this infrastructure has become the primary source of public discourse in city politics. Politicians no longer proudly stand on the new road which has connected the remote and undeveloped village with the city. Instead, they wear hard-hats in front of the city overpass, the metro station, and the museum that provide relief and civic pride to its inhabitants. Major works, whether they relate to transportation, urban aesthetics (the redesign of the city's major plazas), or the showcasing of its classical past (as in the construction of the new Acropolis Museum and the pedestrianisation of old Athens) provide a loci and thus a foci for public discourse.

The press previously could not appeal to successful attempts of urban planning which would have been imprinted in the public memory and internalised by the public culture as a collective standard. Nor could the point of view of the press be informed by political forces and individuals, who would have engaged in such attempts at urban planning. It was not that sufficient diagnostic and remedial knowledge on urban issues did not exist, primarily in the academic community; rather, such knowledge had nowhere to be anchored in public discourse and thus remained essentially private.

The last ten years, and particularly the two years prior to the holding of the Olympic Games when infrastructure building has massively accelerated and its effects have become visible, have been in stark contrast. Each major urban intervention, by its perceived success or failure and the major resources that have been committed to it, generates city wide debate, increases the number and the credibility of interested parties, and informs the press. In turn, new assumptions on the remit and quality of urban planning are introduced into public life, inevitably compelling politicians to raise and then fulfil expectations in these domains.

A review of the news and editorial coverage of the Olympic Games in the period 17/01/2003 – 12/02/2004 at 'TA NEA', Greece's widest circulation paper, is

illuminating in that regard.

<b>Subject Matter</b>	<b>Number of articles</b>
Olympics and Culture	50
Olympics and Athens	37
Olympics and Politics	31
Olympics and related Construction and Infrastructure Programmes	25
Olympics and Perceptions from Abroad	22
Olympics and Security	21
Olympics and the Greek Economy	20
Olympics and Companies	12
Total number of articles reviewed	218

Source: 'TA NEA' site [www.dolnet.gr](http://www.dolnet.gr).

A total of 310 articles were shown for this period. The 92 that are not considered in this table either were inconsequential (e.g. referred to the newspaper's index or simply announced Games-related events) or were purely about the athletic component of the Games (e.g. prospects of Greek athletes in the Games and the like).

The different themes of the newspaper's reporting and editorialising feed into each other to generate an urban-related discourse. Articles on the impact of the Games on the Greek economy, on the resources that the Games have necessitated and on the Government's strategy and popularity connected precisely the urban interventions, on which the Games are contingent upon, with a debate of national import. Articles on the Games infrastructure, particularly in the case of transport, accompanied by explanatory maps and photographs, have raised the profile of the capital as a city subject to metropolitan planning as well as in need of it. Articles on the relationship between Athens personages and institutions, connected one way or another to the Games (e.g. museums, municipalities, urban transport officials, ministries) have increased the awareness of their roles in city life, have put them 'in the map' of the



city's public life. Articles on culture and the Olympics (particularly on the Acropolis Museum, the return of the Elgin marbles and the 'unified archaeological space' project) have reactivated the debate on the city's inheritance and how should it be showcased. Articles on how the Games are perceived from abroad have reinvigorated the wider but related issue of the nature of Athens's interaction with the world at large and its position in it.

A cursory glance at any of the other major Greek dailies reveals identical preoccupations, particularly as the holding of the Games draws nearer, with only critical emphasis being a major variant depending on a newspaper's stand vis a vis the Government of the day.

Markets, citizens and the state have unwittingly conspired in Athens, if not to deny this dystopic city, then at least to mitigate its most extreme characteristics. More specifically solutions, as in the building of the Metro, to accumulated problems, speak of the ascendancy on the urban plane of a more determinate politics, and its related hierarchy of needs and standards of performance. Urban residents demand and take pride on these public interventions that would improve materially and symbolically their lives, as their private and family initiative and networking no longer suffice. The state, the corporations and the people seek the indisputable confirmation of such processes, domestically and abroad, through the spectacular coordination between people, events and infrastructure that only the Olympic Games can compel and provide.

This growing urban consciousness has an important bearing on the territorially-bounded formation of capital and know-how. Corporate activity (and here the word corporate encompasses the construction company as well as the transportation authority, the food industry company which is an Olympic Games sponsor as well as the privately run city museum which has build a new wing with state support) begets and informs public expectations; public expectations beget and inform corporate activity.

But as national goals, corporate modernisation and global processes literally make the

capital by producing within its boundaries a potent mix of know-how, resources and urban consciousness, we are left to ponder the destinies of Greece's other urban centers. Conversely what has been left unexamined in the literature, is whether through the disequilibria that are being created, a sub-standard policy set becomes ascendant. This policy set is essentially consumption-driven and thus inescapably subaltern, for the other urban agglomerations and regions of the country. Concurrently this policy set, and its consequences, might have compromised the relative efficacy of well-studied developments in Greece that have come about through urban and regional governance reforms articulated and funded by the EU (Chorianopoulos 2000, Paraskeyopoulos 2001).

In such a reading, local actors who do not reside in the capital are bereft of any other resources other than the representation of their place of residence which leads to the one-track strategy of dependency. Clientelism with the centre is given a new lease of life, as smaller scale replicas of processes and projects, in reality simulacra, Potemkin villages, of what is being enacted in the centre are being requested and pursued. For it is only such simulacra that dependent urban entities are capable of conceiving and pursuing. To this we now turn, as we look at Thessaloniki.

## Propping a Potemkin Village

In the preceding chapter, we have charted the redefinition of Athens in the context of the stabilisation state's economic reforms from the mid-90's onwards and validation and enhancement of this process through the holding of the Olympic Games. Here we first consider Thessaloniki's role as an international entrepot, culminating at the peak of the economically liberal world order of the late nineteenth century. This role entailed the creation of a space of opportunity occupied by a business class which intermediated between its regional surroundings and world commerce. We will then consider Thessaloniki's 20<sup>th</sup> century downfall from its entrepot status, culminating in its post-World War II mission, as the consolidator of the Greek nation-state in Northern Greece. We will conclude by arguing that this latter role, in today's environment, led the city into a derivative cul de sac in its relationship with the capital, one from which it seems increasingly difficult to escape.

Making use of distinct historical depth marks in our analysis, as we have indicated in the introduction, is not a flight of fancy. Rather it reflects the fact that, depending on the circumstances, different historical events and processes have unique and indispensable explanatory application. In our case a reference to the uses that Greece's classical past has been put to from the 19<sup>th</sup> century onwards is important if we want to evaluate the holding of the Olympic Games in Athens in 2004. Likewise, in the case of Thessaloniki, its present population make-up and that of its Macedonian hinterland and how it has come about in the course of the 20<sup>th</sup> century, is critical in gaining purchase on the city's discourse with itself and with the capital.

Additionally, Thessaloniki as an Ottoman entrepot city is one of the closest historical analogies to the Athens of today, in a regional context. As Thessaloniki has adopted an imitative policy posture in its relationship to the capital it makes analytical sense to relate that posture to its past and very different experience. Why is it that Thessaloniki's own provenance as a globalised entrepot has not spurred a resonant analysis and a dynamic response to Athens's recent pre-eminence which has similar origins, i.e. a privileged relationship with global processes? Answering that question, as we hope to show below, is of analytical consequence for getting a grip on the city's

predicament.

### **The Ottoman Entrepot**

We will commence with Svoronos's seminal study<sup>24</sup> of the commercial life of the city. In 17<sup>th</sup> century Thessaloniki, entrepreneurs, and their diplomatic sponsors, mediated the morass of arbitrary regulations wielded by Ottoman officials, so that the commodity goods of the Ottoman hinterland and the semi-processed articles and other manufactures of the West could be exchanged.

There were innumerable permutations in the conflicts and arbitrage opportunities which took place among and within ethnic communities and jurisdictions within the city of Thessaloniki. Just so, we can recognise a city which interacts intensively with the international order of the day, acquiring a distinct commercial mediation advantage, as well as the politico-entrepreneurial elite that goes with it. This process culminates in the late nineteenth century. The expanding liberal economic order, underwritten primarily by the British Empire, and the attempts of the Ottoman Empire to adapt to this order through modernisation, not least in order to renew its power in relation to it, prove to be a boon for Thessaloniki.

The pressure to modernise the commercial and urban infrastructure of Thessaloniki was exerted by the consuls of the main Western Powers on the Ottoman administration, themselves agglomerating the commercial interests of a multinational business elite. In the wider context of the Ottoman Empire, "the members of religious minorities [Greeks, Armenians, Jews] gained the ability to use the [European] consular courts as they became protégés of European powers in order to benefit from the growing competitive advantages provided by Western law"<sup>25</sup>.

Ethno-religious minorities, for lack of other alternatives, and particularly in the large urban centres of the empire, embraced modernity through commerce. A civic leadership developed which could align itself with the more reform-minded, at least in its upper-echelons, Ottoman administration in Thessaloniki and other Ottoman cities

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<sup>24</sup> Svoronos N.G., *To Emporio tis Thessalonikis ton 18 aiona*, Themelio, 1996

<sup>25</sup> *ibid.*, p.46

like it. As Gerolymbou points out (1997), a public space was created, along with the creation of a market place comprised of rights-entitled participants. The fear of competition, justified as the structure of the Empire hindered corporate agglomeration and capital strength, necessitated change. It thus spurred a reform-minded consensus among the city's multiethnic elites. Yes, the goals were predominantly functional, not ideational; ethnic communities and their leaderships were suspended between the millet system and the dreams and fears of national emancipation. None the less civic entrepreneurship partly compensated for the absence of an engaged, ambitious administration at the city level, pushing and getting an improved administrative apparatus and infrastructure necessary for its conduct of business.

The availability of commercial opportunity that the Empire afforded to its subjects in the economically liberal 19<sup>th</sup> century also had a powerful influence in the civic life of cities like Thessaloniki. We will briefly sketch the Jewish community's most relevant features, from that point of view, as they were analysed in Rena Molho's work. (2001). In the second half of the nineteenth century, the Tanzimat reforms compelled Thessaloniki's Jewish community to reconfigure itself. The extreme fragmentation of the community, a function of its size, diversity of origin and its conservatism, was gradually defeated by newly founded institutions that would centralise and modernise community functions, in fields such as education and welfare and health provision.

Collectivist habits remained but assumed other goals. The push and pull factors of Ottoman reforms, opening of Ottoman markets, greater opportunities as well as the competitive challenge launched by a commercially alert Greek community, resulted in the overcoming of rabbinical resistance. What took place was a competitive modernisation as ethnic communities, in a mercantile Thessaloniki, competed with each other institutionally, while allowing crosspollination by availing themselves, on an individual basis, of the benefits offered by their respective communal institutions.

Educational reforms in that context became, within Thessaloniki's Jewish community, a template for all other communal activities, rejuvenating communal life. As welfare provision, whether this involved the construction of housing or the creation of hospitals catering to indigent Jews, was similarly modernised, the need to better fund

expanding communal activities accelerated the rationalisation of community finances and, in a virtuous cycle, the further modernisation of the management of the community's affairs.

As commerce introduced extra community mores and practices, the community leaders looked elsewhere in the Jewish Diaspora to acquire and disseminate just these mores and practices. The capacity for self-organisation increased correspondingly with the growing interaction with the outside world. The community improved its interaction with Jewish organisations outside the empire, further replenishing its membership and expanding its competencies. A community which had been intensely localised was now being sustained by sophisticated and extensive international support. Transparency to international sponsors generated transparency within the community. This in turn improved the capacity of members of the community to receive, propagate and implement ideas from abroad.

Thus what we see in 19<sup>th</sup> century Thessaloniki are improved and invigorated governance arrangements in urban administration and in civic and corporate institutions. The intermediation opportunity that the city has in the Ottoman Empire compels modernisation; modernisation in turn leads to the enlargement of the space of opportunity which resides within Thessaloniki's environs. This space of opportunity is inhabited by communities which, in their drive for prosperity, multiply their links with European urban centres, and consequently diffuse advanced business and institutional practices in urban life.

Up until the first world war, in Thessaloniki and cities like it, in the Ottoman and the Hapsburg Empires, in coastal China and elsewhere in the world, we witness the creation of a multiethnic bourgeoisie, nested in these entrepots, adept in its dealings with the world, and capable of securing the necessary administrative machinery and infrastructure which could service its commercial transactions.

The critical role of cities like Thessaloniki for a smoothly running and prosperous world economy was not, at the time, left unrecognised. Hopelessly optimistic curios as they might seem, from the point of view of the nation-state protectionism and

world depression that followed in the inter-war years, attempts were made after the end of the first world war to devise special status regimes for all the main cities that performed this function, despite the collapse of the Empires which enabled them to do so. Trieste, Thessaloniki, and Istanbul were all subjected to that consideration, post-1918. Alas, it was not to be. As Mansel writes of Istanbul: “The social and cultural bonds created by living in the same city could not outweigh the emotional satisfaction, the sense of righteousness, solidarity and self-sacrifice, provided by nationalism. The city was not enough; many inhabitants yearned for a state of their own.”<sup>26</sup>

### **The Nation-State’s Consolidator**

At the onset of the 20<sup>th</sup> century, Thessaloniki is sophisticated enough in terms of its commercial activity, its administrative and military resources, and its international interaction, to be highly significant to both the Turkish and the Greek nation-builders. As such it becomes the seat of rebellion in critical moments in the first two decades of the century. From Thessaloniki, the Young Turk movement launches itself. Venizelos establishes his provisional government in Thessaloniki, confirming Greece’s choice to side with the Entente Powers in the First World War.

From a Greek point of view, Thessaloniki is a vital interlocutor in the ongoing construction of the nation-state. In an unstable political order fraught with danger and filled with opportunity, Thessaloniki is first and foremost a strategic location. It serves as a base of operations from which to finance and coordinate Greek insurgency in Ottoman Macedonia in the last days of the Empire, a launching pad for movements of nation-wide significance. Its elite is privileged, confident, and best not ignored by its counterpart in Athens. Its issues are those of Greece, its choices as important as any.

Not for ever, though, as the city essentially achieved movement in that period by rushing towards its own subservience. Interestingly, at the time that the intellectual, material, and administrative resources of cities such as Thessaloniki in Greece were

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<sup>26</sup> Mansel P., *Constantinople: City of the World’s Desire 1453-1924*, Penguin Books, 1995, p.361

being employed to affirm the superiority of the nation, the opposite process was occurring elsewhere in the world. The progressive city movement born in the United States laid the foundations of urban research and of contemporary, autonomous city government. For these American progressives, the city "...where the impact of industrial capitalism was most graphically evident, was increasingly understood to be the proper point of political response or intervention"<sup>27</sup>. For both the political scientist and the urban activist "achieving home rule created a domain of the political that was essential...to make immigrant city dwellers into citizens"<sup>28</sup>. These early liberals "are not asking the nation to rescue the city. They are in fact proposing just the opposite: the city can save the nation."<sup>29</sup>

In his study of the disciplines of archaeology, history, and topography in Greece, Shannam-Peckham (2001) charts the converse process, namely the loss of identity, autonomy and primacy of place. He demonstrates how a powerful inculcatory mechanism was set in motion, from the late 19<sup>th</sup> century onwards, seeking to provide ideational coherence to the citizens of the Greek nation-state. Each and every locality in this context had to provide both evidence of its essentially Greek provenance, while its residents had to be made aware, through education and wider socialisation, of their particular contribution to the totality of the Greek nation to which they had become part. Consequently local identity and the actions that this identity could spur and sustain had to be suppressed.

The deployment in Macedonia of the intellectual and administrative apparatus that Shannam-Peckham has analysed, was the next necessary stage, after territorial conquest, in the nation-building process. The deployment of this apparatus followed the settlement of Asia Minor refugees in Macedonia, itself a result of the exchange of populations with Turkey in 1922, and solidified its effects. The refugee settlement, was for the Greek nation-state, "a major strategic move in the realisation of the main goal of safeguarding the northern Greek frontiers from external threats... In Macedonia...by 1928, 638,253 had been settled out of a total of 1,225,849 people

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<sup>27</sup> Bender T., *Intellectuals, Cities and Citizenship in the United States: The 1890's and 1990's*, in Holston J. eds. *Cities and Citizenship*, Duke University Press, 1999, p.29

<sup>28</sup> *Ibid.*, p.26

<sup>29</sup> *Ibid.*, p.34



settled in the whole of Greece”<sup>30</sup>. Its inevitable corollary was the suppression of the identity of a “Macedonia...[that] has long been not one culture area but a cultures area, inhabited by a plethora of various ethnic groups tied together in a complex”<sup>31</sup>.

This is not to say that nation-building is ever complete. In a recent study of contemporary attitudes, following the collapse of the Eastern Bloc and the disintegration of Yugoslavia, in Greek Macedonia the researcher concludes that while “the indigenous is confident about his local origin, he is insecure about his political enfranchisement and recognition. The refugee is secure in his political belongings and recognition but insecure as far as his place in locality and the kind of relationship that it has with it”<sup>32</sup>.

It has been Thessaloniki’s job in these eighty-odd years to represent the refugee, to link him with the grand historical narrative that collapses every locality to the nation and to assert the nation in the region, in Greek Macedonia. Indeed, its anointment as Greece’s co-capital (συμπρωτεύουσα) suggests that the city was to be a critical adjunct to the capital, in the struggle to consolidate the nation-state’s territorial acquisitions in the North. At the same time, the appellation served as a sop to the city’s lost preeminence, itself a function of its multi-ethnicity and successful integration in the Ottoman Empire, the memory of which Greek Thessaloniki has suppressed with relish.

This re-determination of the city’s role has led to a poverty of ambition and means in local and regional government, as the paramount goal “...was to achieve the closest possible ties to the centre, while the weakening of centre-periphery relations has...been perceived as threatening Greece’s long term security.”<sup>33</sup> After all it was and is the unquestioned power of the capital of the nation-state, Athens, which is the ultimate explicator and guarantor, domestically and abroad, of the preservation of the

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<sup>30</sup> Voutira E., ‘Population Transfers and Resettlement Policy in Inter-War Europe: The Case of Asia Minor Refugees in Macedonia from an International and National Perspective’, in Mackridge P. and Yanakkaki E. eds., *Ourselves and Others, The Development of a Greek Macedonian Cultural Identity since 1912*, p.118-9

<sup>31</sup> Karakasidou A., *Fields of Wheat, Hills of Blood: Passages to Nationhood in Greek Macedonia 1870-1990*, The University of Chicago Press, 1997, pp.219-20

<sup>32</sup> Ibid.,368

<sup>33</sup> Verney S, *Central State – Local Government Relations*, in Kazakos P. and Ioakimidis P.C. eds. *Greece and EC membership Evaluated*, Pinter Publishers 1994, p.167

material and ideational link between the land, Macedonia, its capital Thessaloniki, and its most recent inhabitants, the Asia Minor refugees. To this we must attach the mechanisms and priorities of a clientelist order as any “relaxation of the centralist grip clearly reduces the possibilities for patronage open to the governing party. Consequently, governments have been reluctant to decentralise, given the likely consequences for their own reproduction in power”<sup>34</sup>. Most emphatically, the nation, led by its capital, must save the region – while the region’s most prominent city must competently reproduce and symbolise this effort at the regional level.

In the empire the city’s elite would intermediate between international trade and capital and imperial authorities so that the region could transact with the world, and do so through it. In the nation the city’s elite would intermediate between the region’s insecurities and material needs and a state which had the resources to alleviate both, even if to a limited extent – a state that through the continuous assertion of its dominance would renew its own *raison d’être* which was also accepted and even demanded by the city and the surrounding region.

Opportunities existed, as we have mentioned above, for forms of participation which were progressive in nature and which went beyond this classically subaltern role. Yet these opportunities revolved around issues and conflicts of national ambit, the successful pursuit of which ultimately weakened local distinction and autonomy<sup>35</sup>.

In effect a dynamic was set in, in Thessaloniki, whereby the politico-economic elites would implicitly know or even have internalised that they should frame their strategies in the context of a region and a city which had to receive constant reaffirmation of its existence within Greece’s borders. The nature of that existence would have to be co-determined with the consent and direction of the center, Athens, while a creative tension which would incorporate the assertion of identity could not be

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<sup>34</sup> Ibid., p.168

<sup>35</sup> It is indicative of the city’s lack of interest in itself that at the University of Thessaloniki, the second largest in Greece, its tiny Political Science Department has produced only one Ph.D. with a contemporary city theme, and that one on the electoral behaviour of the city’s districts during national elections. The only research of note that has been conducted on the city, with a contemporary angle, has been so by urban planners and architects working at the Engineering School. The Law School (to which the Political Science Department is attached) and Philosophy School (i.e. languages and literature) earned fame and distinction through their treatment of nation-wide themes, constitutional and language reform respectively.

unleashed. Nor a symbolism and an autonomy-seeking institutional apparatus could be formed and built in the absence of such an antagonism. At any rate these two would be of limited actual and perceived use in Greece which, post-World War II, was geographically hemmed in by the Eastern bloc, traumatised by years of continuous conflict and, crucially, struggling to address national, not local nor regional, issues of reconstruction and democratisation.

It is illuminating that when the city was offered the opportunity to showcase and relate its identity in an international context, when it was anointed as the cultural capital of Europe in 1997, it chose, by default, not to reveal one. It hid its multicultural/multiethnic past at a time when such features have been thrust to the forefront of cultural identity by Western Europe and North America. The city “did not manage to illustrate or project its cultural identity or her cultural distinctiveness, did not have the time to realise its cultural ‘being’ and ‘becoming’.”<sup>36</sup> Consequently, “A managerialist approach of the event filled the cultural void of a clueless local society... the Cultural Capital revealed the political and cultural limits of the city, its identity and functional limitations.”<sup>37</sup>

### **A Widening Gap**

Thessaloniki’s corporate leadership has both reflected these limitations and compounded them in this last decade. Its achievements, having been massively overtaken and overshadowed by those of its Athenian counterparts. They have thus lacked both heft and persuasion which, in turn, has had a decisive impact on the quality of the Thessaloniki-related public discourse and policy making.

A comparison of Thessaloniki’s and Athens’s corporate leaderships from the point of view of market capitalization, internationalisation and level of foreign shareholder participation reveals this widening gap in capabilities.

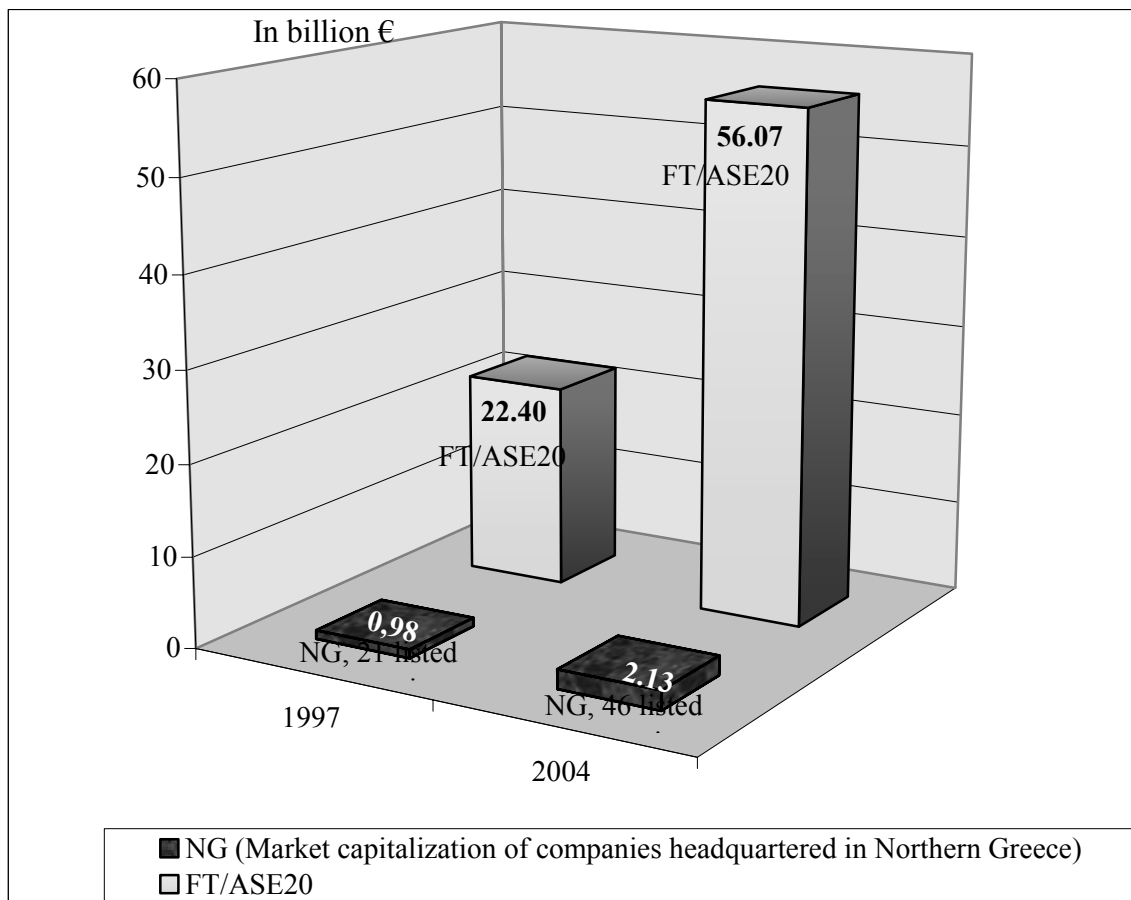
The graph below which compares the market capitalisation of the companies headquartered in Northern Greece and those of the FT/ASE 20, all of which are

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<sup>36</sup> Manitakis A., ‘The Cultural [Capital], the culture of the managers and the intellectual leadership of Thessaloniki’, *Enteyktirion*, p.58

<sup>37</sup> *ibid.*, p.59

headquartered in Attica at presently, provides stark contrast on how capital has agglomerated across urban space in Greece (as we mention above, the next companies in line, the FT/ASE 40, are with only four exceptions also headquartered in Attica). At the year 1997, when the FT/ASE 20 index was established, the 21 companies headquartered in Northern Greece represented just 4.3 % of the market capitalization of the FT/ASE 20. Eight years later, and despite the more than doubling up of the number of listed companies of Northern Greece, from 21 to 46, that percentage had actually declined to 3.7 % as the FT/ASE 20 had more than doubled their capitalization in the intervening period.



Source: National securities Co

A closer look at the constituent members of the FT/ASE 20 which is provided below indicates the prominence of this Athens-headquartered corporate elite in the internationalisation of Greek capital, often an outgrowth of the Government's privatisation programme. Out of the FT/ASE 20, fourteen companies are Greece's most prominent investors in the region, while nine out of the FT/ASE 20 have been

transformed in the context of the Government's privatization programme. Out of these nine, six have been particularly aggressive in their regional expansion. Out of the forty two quoted companies of Northern Greece eight have also been investing in the Balkans, with varying degrees of success, but none with the visibility and impact of the FTASE/20 companies.

<b>Companies in the FT/ASE 20 Index which have become significant investors in central Eastern Europe (those in italics have been subject to the Government's disposal effort)</b>	<b>Companies in the FT/ASE 20 Index which have accessed the capital markets in the context of the Government's Privatisation Programme</b>
Alpha Bank, EFG-Eurobank-Ergasias, <i>Emporiki Bank, Pireaus Bank, National Bank of Greece, Germanos, Hellenic Duty Free, OTE, Cosmote, Intracom, Coca-Cola HBC, Titan Cement, Hellenic Petroleum, Viohalco</i>	Emporiki Bank, National Bank of Greece, Agricultural Bank, Hellenic Duty Free, OTE, Cosmote, Public Power Corporation, OPAP, Hellenic Petroleum

Source: National Securities Co

Crucially the Athens-based FTASE/20 have also attracted the lion's share of foreign institutional investors who have invested in Greek equities (in the spring of 2004, foreign institutional investors owned approximately 20 % of ASE's total capitalization and more than 80 % of their investments in ASE shares had been placed in the FTSE-ASE 20 companies). Participation in the small to medium sized capitalization stocks of the companies headquartered in Northern Greece has been, by contrast, negligible.

There were actually two companies based in Thessaloniki in the FT/ASE 20 Index when it was first compiled in 1997, namely Macedonia Thrace Bank and Goody's, Greece's most innovative fast food chain. It is no mere coincidence that both were acquired by Athens-based entities. Pireaus Bank, itself one of the Greek Government's first privatizations, acquired Macedonian-Thrace Bank, partly through

the acquisition of a significant shareholding that belonged to the NBG group. Here we have a group of Athenian businessmen, who became the main shareholders of Pireaus Bank (among them one of Greece's main ship owners), taking advantage of the Government's reforms by picking up assets made available either through privatization or through Government-mandated rationalization (NBS disposing of its non-essential participation at Macedonian-Thrace Bank). Within the Thessaloniki business elite there was neither the concentration of capital to acquire Macedonian-Thrace nor the understanding that such an acquisition would more than pay itself through the capital markets (Pireaus Bank has been generously rewarded by investors in the stock market, through rising valuations, for its acquisitive streak). Delta, the ice cream manufacturer, was Goody's equal but not superior in terms of its forward-looking management and product innovation. What distinguished Delta from Goody's was that it has been more receptive to making use of the capital market, by presenting to investors an aggressive expansion strategy which they had been willing to finance.

In a third case, that of Egnatia Bank which had a core group of Thessaloniki-based shareholders and twin headquarters in Athens and Thessaloniki, an initial lead in the Balkans was dissipated later on. Egnatia Bank had an explicit strategy to match its corporate client base in Northern Greece with an expanding presence in the Balkans, and was actually the first Greek Bank to establish a unit in one of the neighbouring markets, in Sofia, Bulgaria. A fall out between management and shareholders, partly triggered by the Bank's heavy investment on IT technology and disappointing profitability, caused the reversal of this strategy (the Sofia office was closed and only in the late 90's the Bank established a small-scale presence in Romania). Going beyond the particularities of the case, what emerges as a common thread is again a lack of capital depth necessary to sustain a course and the awareness necessary to use the capital markets to attract needed resources as needed. By comparison the Athens-based Eurobank could rely on the liquidity of its parent, the Latsis Group, the Geneva-based shipping and finance concern, to (i) correct its strategy (from an early not very successful specialization in private banking to offering the full gamut of banking products and services) (ii) take advantage of the consolidation of the Greek banking system through the acquisitions of both state and private banks (iii) and expand

aggressively in the Balkans where in Bulgaria and Romania it has acquired financial institutions which are at the top five in terms of size. Eurobank has also expanded its capital base via an initial public offering at ASE placed at a very attractive valuation. Today Eurobank competes for first place with NBG, the historical leader of the Greek banking system, its stock market valuation at times rising above that of its prestigious antagonist<sup>38</sup>.

In all these three cases market leadership and its rewards, size and liquidity, have been conceded to Athens and lost to Thessaloniki. Furthermore in all three cases proximity-induced socialization was instrumental in the Athenian party gaining the upper hand by exploiting its superior awareness of intensely localized processes and markets – the privatization process, implemented by Government Ministries in Athens, and the capital market, its ways and possibilities permeating the Athenian business community.

Cumulatively the picture that emerges is one of huge disparity in the power and sophistication that inheres within geographically distinct business elites. There is a vertiginous chasm, no more than ten years old, between the intensity with which Athens-based corporate elites relate to international capital and know-how and the meager links that their Northern Greek counterparts have managed to establish. An accelerated internalization of global norms and modus operandi of the Athenian business elite, with the assistance of competent third parties based in Athens or abroad, nonpareil elsewhere in Greece has been taking place, as we have elaborated earlier in the paper. Expatriate Greek money, shipping related (as we see with the cases of Pireaus Bank and even more so with Euro Bank), which generates extraordinary liquidity for Greek standards because of the global reach of its operations, has further accelerated the widening of this chasm as it has tended to flow in Athens where most of the opportunities have been generated.

This interaction, as we point out earlier, had strong institutional underpinnings located in the privatizing ministries and the regulatory and market institutions such as the

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<sup>38</sup> The author was advisor to the Governor of NBG at the time of its disposal of its Macedonian-Thrace Bank minority participation. In the early nineties he was employed at Egnatia Bank where he opened and managed the Bank's Sofia office for a three year period.

central bank, the Capital Markets Commission and ASE itself, conduits all to the capital's business elite of Europeanisation and globalisation processes. Even when such institutions were absent they could be imported-the weaknesses of the Greek higher education system and labour market being a surmountable obstacle as accelerating corporatisation in Athens generated an inflow in Athens of Greek graduates from the university systems of Europe and North America and managers trained abroad.

The policies and regulatory institutions of the Greek stabilization **state**, in interaction with the international environment, be it the EU or the global financial markets, brought critical mass to the business elite of its capital **city**, Athens. From that point of view national policy has been urban policy in the period under examination.

### **Propping a Potemkin Village<sup>39</sup>**

There has been a response anchored in the presumed potential of Thessaloniki emanating out of the opening up of the Balkans, following the collapse of the Eastern Bloc. This response's constituent elements have been central government initiatives as well as a mixture of pressure exerted and policy ideas suggested by Thessaloniki's corporate and political leadership.

The initiatives referred to below have been pursued and implemented by the Greek Government and have always received the energetic support, when they have not been actually designed and proposed, by important local actors such as the Thessaloniki-based Association of Industries of Northern Greece and the Thessaloniki municipal authority and prefecture. They are trotted out at key events, such as the Greek Prime Minister's speech every fall on the occasion of the inauguration of Thessaloniki's trade fair, as evidence of the city's development and the Government's steadfast support of the city's aspirations, as a Balkane entrepot.

So what if the ASE has been instrumental in the rise of a dominant, nationally and regionally, Athens-based elite? Thessaloniki will get its Stock Exchange Centre, a

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<sup>39</sup> The expression Potemkin, village, according to the New Oxford Dictionary of English (2001:1451), describes an entity or an event that has a false or deceptive appearance. It is derived from Grigori Aleksadrovich Potyomkin, a favourite of Empress Catherine II of Russia, who gave the order for sham villages to be build in advance of the empress's tour of the Crimea in 1787.



subsidiary of ASE with a nominal specialisation in issuing of Depositary Receipts of companies active in the Balkans (of which there have been two public offerings-the vast majority of Greek public companies will fund their regional operations through their primary ASE capital offerings).

Financial institutions headquartered in Athens controlled in the Balkans, in 2002, “13 banks and 4 financial service providers which together with 22 branches, numbered 528 units and employed about 6,500 individuals”.<sup>40</sup> Thessaloniki got the headquarters of the Black Sea of Trade and Development Bank, a limp, regional imitation by Black Sea and adjacent countries of the London-based European Bank for Reconstruction and Development.

Has a burgeoning telecoms cluster been created in Athens, composed of OTE, the public telecoms utility, other domestic operations and such multinational behemoths as Vodafone and Telestet which have massively invested in the Balkans? Thessaloniki will get its Institute of Telecoms Studies.

True, over 90 % of Greek FDI in the Balkans is managed by corporations headquartered in the capital. But if Athens will manage success, Thessaloniki will host the administration of failure, so the headquarters of the European Agency for Reconstruction of the Western Balkans have been located in its environs, after the considerable exertions of Greek diplomacy.

Increasing corporatisation in the capital, by driving into the corner companies located elsewhere in the country, disproportionately, even for its size, attracts the country’s highly educated and professionally seasoned personnel who are now returning from abroad, further entrenching its dominance. But Thessaloniki is where CEDEFOP, the EU agency responsible for training, is now located.

Athens has built a metro, so Thessaloniki must as well. Athens will hold the Olympics, Thessaloniki must seek one last opportunity to project itself to the world,

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<sup>40</sup> NBG, ‘South Eastern European Countries - Key Issues, Recent Developments and an Overview of the Banking Sector’, *South Eastern Europe and Mediterranean Emerging Market Economies Bulletin*, Volume 4, Issue3, February 2003, p.10

having mismanaged the one availed by its designation of European Capital of Culture, by submitting its candidature for hosting of the EXPO 2007.

These then have been the building blocks of a Potemkin Village of policy initiatives and institutions which have been constructed in Thessaloniki in the 90's.

Still the construct is an unstable one. Expectations which are raised and then become disappointed create an opening for others voices which, rightly or wrongly, sound more resonant. Actors, when they are seen to fail in their efforts, compromise both their credibility and that of their goals. As a vacuum is being created so it must be filled.

In Athens an assertive corporate elite and an outward looking government were in interaction-the one constantly validating the other in an implicit partnership. This was best encapsulated in the motto of a 'strong Greece' with which Prime Minister Simitis's Government has been identified and which the Athens's business elite has fleshed out as contractors of the Government's infrastructure programme, as buyers of state assets, as high profile ASE listed companies, and as increasingly aggressive regional multinationals.

Thessaloniki's business elite has been correspondingly diminished by this Athens-bound alliance between government and business. The level of magnitude of what had transpired in Athens, combined with the ineffectiveness of what took place in Thessaloniki, meant that it could not creditably link itself with the 'strong Greece' enterprise, making the whole concept ring increasingly hollow in Northern Greece. By the same token, political personalities who have used Northern Greece as a launching pad for their national careers have been identified with the source of their constituents' inadequacy and resentment. Evangelos Venizelos, as Minister of Culture, was the Government's responsible minister for the preparation of the Olympic Games. Akis Tsohatzopoulos, the ultimate Government party insider, has had his persona inextricably interwoven with Athenian political intrigue. It is their very success in national politics, at a time when the capital reasserted itself the way it has had, which has undermined their claim, and that of the party in which they had

been such leading figures, to represent Thessaloniki and Northern Greece.

The March 2004 elections in Greece registered the shortcomings of those policies and actors who were identified with the management of the city's fortunes. Both the main opposition to the governing party, New Democracy, and those political figures that were emblematic of a different reading of Thessaloniki and Northern Greece were the indisputably winners.

PASOK did very badly throughout Northern Greece, suffering spectacular defeats in the two Thessaloniki and most of the rest of Macedonian's constituencies. New Democracy, had included in its Northern Greek ticket well-known articulators of a nativist, fearful vision of Greece and the way it relates to the surrounding region of the Balkans and Turkey. They have performed very well within the New Democracy ballot (voters being able to express an MP preference by crossing their candidates of choice). Indicatively LAOS, Greece's right wing party, has also performed above its national average in Northern Greece.

These results have established a continuity with what has been a historic shift in political alignments in Northern Greece: The movement of the refugee populations from the progressive Venizelist centre, which was identified with a foreign policy which aimed to put under the Greek fold the Greek populations of Asia Minor, to the right<sup>41</sup>. Essentially, the refugees and their descendants veered to those forces that were perceived to be their guarantor against a possible loss of their new Macedonian home to other claimants. This has been the bedrock behind Thessaloniki's role as the nation-state's consolidator that has been examined above. Admittedly, the fears that were rekindled after the collapse of ex-Yugoslavia in the early nineties, which fuelled the 'Macedonia is Greek' dispute may well have abated by 2004, in Thessaloniki and Northern Greece at large. But they have been well capable, in the elections of 2004, of framing and thus strengthening the feelings of inadequacy and resentment that the visible disparity between Athens and Thessaloniki has generated.

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<sup>41</sup> Nikolakopoulos I., Moutousi N., New Democracy's powerful presence in Central Macedonia, *TA NEA*, 10-02-2004.

Thus, it is not only that the very materiality that history has produced in Thessaloniki, through the political economy of the Greek nation-state and the related identity and mobilisation strategies pursued by the city's elites, has reduced the city to the production of a simulacrum of an interaction with the new international order. It is also the case that this simulacrum, the absence really of a confident leadership which could point to local achievement and prowess, has given a second wind to the sails of personalities and discourses which are even less inclined of articulating and pursuing a coherent agenda for the city's future. It is Thessaloniki, as the consolidator of the nation-state that these personalities pine for, a redundant role that the capital is patently uninterested in resurrecting.

The city could conceivably recall its past, primarily so from the point of view of its participation at globalisation's hey day to which we referred to, from the mid to the late 19<sup>th</sup> century, to analyse its position vis a vis the interacting national and global processes, which presently have their main loci in Athens; it could use its powers of recall to fashion the institutions and policies that would best serve her today and suitably refashion those already at her disposal. However Thessaloniki today lacks the collective identities, and the associational life that these gave rise to, that could best utilise these resources. In the 19<sup>th</sup> century these were precisely the features of its urban character that shaped for the best, under the circumstances, its educational life, its health provision, its infrastructure and housing. In a sense Thessaloniki has lost not only the Jews but also the Greeks of that time, their progeny either uninterested or fearful of autonomous urban life.

It would have been such a collective and associational life that would have produced the city-centred political elites that would push for the reforms necessary for the evolution of the city's institutions and the replenishment of its endowment base. Elites of that kind, informed by a richer institutional life than presently available, would have exploited the market reforms of the preceding decade to request greater autonomy in the running of the city's institutions and achieve the reforms at the national level that would have made such autonomy possible. In education and health for instance it would be developments of such type that would have enabled Thessaloniki to reach more effectively in the Balkans catering to the emerging needs

at the regional level, building up its expertise, expanding its capital base and altogether asserting itself within and outside the national borders. These are after all the sectors that would have been flourishing today in Thessaloniki had there not been the drastic discontinuity, in the city's 19<sup>th</sup> century collective and associational life, in the 20<sup>th</sup>.

Nor is this simply a counterfactual in the realm of a wild imagination. These are actually the policy suggestions that are proposed in the first survey of Athens's metropolitan vocation to be informed by the holding of the Olympic Games (OECD:2004). And the prospect of the development of institutions of higher learning independent of the state was positively treated for the first time by both national parties in the debates of the 2004 elections (there is a constitutional prohibition in Greece regarding the establishment of non-state institutions of higher learning). The fact that policies of such structural reach have not been articulated and fought for first by Thessaloniki actors is telling of the city's 20<sup>th</sup> century identity and the way it has materialised in Greece's politico-administrative arrangements-of the defeat of place and the victory of the nation.

Revealingly, the University of Thessaloniki when it was first established in 1925 it was offered, through legislation enacted in the same year, as an endowment to be managed by university authorities, the considerable property assets which had previously belonged to the educational institutions established by members of the Greek millet in Ottoman Thessaloniki. However, by the early 1930's the Greek Government reversed its earlier decision and reverted the use of these same assets to its ownership, for the needs of state secondary education in Thessaloniki. The cash-strapped University did not contest this blow to its financial autonomy, opting instead to rely, and thus depend absolutely from then on, on a direct state budget contribution<sup>42</sup>. The only institutions of learning that have preserved Thessaloniki's 19<sup>th</sup> century traditions of autonomy and self-funding today in the city are Anatolia College and the American Farm School-both of whose board of trustees and main benefactors are located in the United States. Ironically for carriers of such local tradition, Anatolia College was first established as an institution of higher learning in

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<sup>42</sup> Papastathis Ch., Hekimoglou E., The lost opportunity for the financial self-sufficiency of the University of Thessaloniki, *Thessalonikeon Polis*, 7<sup>th</sup> issue, March 2002, pp. 33-46

the far away Merzifon, near the Black Sea coast, in 1886, by Calvinist missionaries who catered mostly to the surrounding Armenian population and only secondarily to Ottoman Greeks. Anatolia College only moved to Thessaloniki in the 1920's in the aftermath of the Asia Minor disaster<sup>43</sup>.

Both Anatolia College and the American Farm School have responded with great alacrity in seeking to attract students from the Balkans and build a reputation as institutions of learning of regional reach. But their strategies have neither been adopted by the city nor by its in comparison massive but bureaucratic and inefficient state academic institutions.

In these institutional histories we see the dramatic discontinuities in Thessaloniki's collective life and the powerful influence that these still exert on the city's capacity to respond to its changing environment. In a self-reinforcing cycle the pre-eminence of the capital means that Thessaloniki's leadership is attracted to national politics today as much as it has ever been, as well as to the Athenian-bounded alliances that national politics can ease a successful politician into. Nation-wide organisations, mainly parties, trade unions and professional associations, structure and reinforce these political careers as they avail opportunities to their members through a hierarchical ascent that invariably has its summit in the capital. Thessaloniki-based but nationally ambitious political actors would challenge these hierarchies and the constituencies that they represent at their peril. And to what purpose? To promote an ill-understood and thinly supported agenda, in Thessaloniki itself, for urban autonomy? Moreover, an autonomy that would challenge existing relationships with the Greek state with which the city's inhabitants are profoundly habituated, practically and ideationally? It is no wonder that institutional autonomy and the fiscal arrangements that would support it has not made any significant headway throughout the city's history as the Greek nation-state's second largest city.

To be sure the leverage is available to these actors to attract resources from the central government and these resources could indeed be vital for Thessaloniki. If anything, this has been made obvious by the impact that Olympic Games related expenditures

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<sup>43</sup> Interview of William McGrew, Anatolia College-Once in the Pontus, *Macedonia-Panselinos*, 1<sup>st</sup> of June 2003

have had, and will continue to have, on the functionality and governance of Athens. It has also been made obvious in the case of Thessaloniki itself. The Greek Government extended considerable diplomatic resources to secure Thessaloniki as a location for the two EU agencies mentioned above, namely CEDEFOP and the Balkan Reconstruction Agency. These have been hard won achievements for which there were competing claimants from other EU member countries, pressing their case at the highest level of EU deliberations. Additionally, the present Greek Government has derived its mandate by the promise, implicit or explicit, to succeed where their defeated opponents have failed- actual or perceived regional disparity being a main area. So the resources and attention of the state are important, they have been made available on a significant scale in the past, and will continue to be so in the future. The issue remains however on the efficacy of the chosen ends to which these resources are deployed and of the necessary institutional framework which can maximise their impact-an issue which still hinges upon the quality of an urban public life which is still impoverished in Thessaloniki.

## Conclusion

The disequilibria that arise between cities originate in our case in the wider context of the reform-minded Greek stabilisation state, the ambitions of which are framed in the context of its European vocation and of an increasingly open world economy. As such Athens and Thessaloniki are an illuminating case of the globalisation flow that “tends to drive a deeper wedge between national space and its urban centres ... [since] cities represent the localisation of global forces as much as they do the dense articulation of national resources, persons and projects”<sup>44</sup>.

The elements at play are naturally unique to these two Greek cities themselves but they fall under broader categories relevant elsewhere. The repatriation of skills and capital to the extent that it flows into a particular urban center and not others greatly adds to the size and speed with which imbalances build up within national territory. In Greece it is shipping and its excess liquidity which by and large represents this tendency of ethnic capital and know-how to return to national territory, shaping the latter in the process. Shipping, in a sense, is just the sectoral manifestation of the unbalanced channeling of skills, drive and investments made and originating across national territory, which were exported across the world and then returned to only one of the nation's available destinations.

Similarly the past, as it becomes reanimated as a factor in public life under conditions of fluidity, it has diverse and sometimes contradictory impacts across national territory. Within a single nation-state the past is variegated, in one city an advantage, in another a handicap, depending on the circumstances. In Athens a template which was solidly established in the 19<sup>th</sup> century, that of projecting the country's classical inheritance domestically and internationally to advance government strategy, becomes reproduced through the Olympic Games. The Games are a constitutive venture in terms of the alliance between government and business in Athens, the functionality of the city for its commerce and denizens and ultimately for the reach of its governance as well. It is also effective both because of what the present day Olympics Games are and because it builds on existing trends-the Government's successful EMU effort and

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<sup>44</sup> Holston J. and Appadurai A., ‘Cities and Citizenship’, Holston J. ed., *Cities and Citizenship*, Duke University Press, 1999, p.3



the revitalization of the Athens business elite which is to a large extent a by-product of EMU-inspired macroeconomic policies.

In Thessaloniki the series on initiatives which we have described as Potemkin Village policies did refer back to its nineteenth century role as an Ottoman entrepot. However they have achieved the simulacrum of globalisation, rather than the reality of it due to the weakness of the city's political and corporate actors. The city found its voice rather more easily and forcefully in the incantation of another page of its history. Fearful of the upheaval in ex-Yugoslavia, reminded of the first half of the twentieth century struggle for national consolidation in Northern Greece, Thessaloniki committed the little energies it had, in the first half of the 90's, in reaffirming and representing the indigenous credentials of, by and large, the descendants of Asia Minor refugees in Greek Macedonia. The recent 2004 national elections reconfirmed the tenacity of this strain in the public life of the city and the surrounding region. Again trends are important. After all, had the city been in a possession of a robust and assertive corporate elite, in Greece and in the Balkans, the rhetoric of its political leadership would have been informed by this elite's priorities. Corporate success and its attendant symbolisms would also have comforted and moderated public opinion in Thessaloniki in the way it relates to its own history, and to the adjacent countries and nations which have co-produced it.

What we see in these two cities, Athens and Thessaloniki, one a primary the other a secondary (importantly **the** secondary city), as a third element of wider relevance, is a binary relationship which both widens the wedge, that Holston and Appadurai have spoken of, and attempts to bridge it simultaneously.

The Greek stabilisation state, by empowering Athens's corporate elite as well as by giving rise to a new sense of urban citizenship in the capital, has structurally guaranteed the transformation of urban disparity into urban resentment. The achievements of the capital are what invite imitation and thus comparison with Thessaloniki while the harsh light that that comparison throws onto the simulacrum that is Thessaloniki's response, actually adds, rather than subtracts to this resentment. Self and collective-worth are, after all, profoundly comparativist enterprises.

Thessaloniki's citizens, precisely because the city has the size and history that invites comparison with the capital, will continue to be the most prone, among other Greeks, to alienation by the capital's renewed pre-eminence. For these same reasons, their representatives will continue to be able to command the central government's and the capital's attention. There will continue to be attempts, in other words, to bridge that wedge.

Neither, however, can we underestimate the importance of Thessaloniki, as a political community in the way it makes use of these resources and in the shaping of the framework in which they are being put into use. The conundrum seems to be that the city as a political community has been only capable up to now of reaching for two unsatisfactory points at the opposite sides of a pendulum's motion: from an unconvincing imitation of the capital to a regression, in disappointment, of a rejection of what the capital represents.

It thus emerges, as a fourth, very much unresolved element, the question of under what conditions this conundrum can be escaped for Thessaloniki, and other cities that might resemble it. But no matter how Thessaloniki's future might be approached it must encompass a renewed focus on the city as a political community. For to evaluate Thessaloniki's prospects purely on a mapping out of its existing activities and their disparity that they suffer in comparison with those of the capital would be to continue to take for a given both its political life and its outcomes.

Instead we have argued that the way that Thessaloniki has been constructed as a political community, in the context of the creation of the Greek nation-state, and the impact that this construction continues to have on its institutional life, is critical to our understanding today of its ability to evolve its competitive advantages, educate its population, upgrade its social and physical infrastructure and so on. Thus whether we want to evaluate the city's future use of the state's resources, its ability to grasp the opportunities made available by its transformed regional environment and its interaction with Athens, we must continue to speculate on the city's political life and its future evolution.

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