

**ROSA LUXEMBURG STIFTUNG**  
BRUSSELS OFFICE

# SHAPING INDUSTRY FROM THE LEFT IN EUROPE

## COUNTRY REPORT GREECE

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## Chapter 1: Introduction

The adverse and serious economic and social effects of the policy of internal devaluation in Greece and in other member states of the eurozone are proof of the fact that recession (-25%) and unemployment (27.8%, 1,342,299 individuals, 1st quarter of 2014, ELSTAT) are not simply incidental losses of the financial crisis in our country. On the contrary, they constitute the negative characteristics of the policies being pursued which have, in essence, "imprisoned" the resources of the economy in the deficit and debt, depriving investment, development and employment of resources. Thus it becomes evident that the internal devaluation constitutes the driving force behind contradictions and contraction of the powers of the economy and society (INE/GSEE [Institute for Employment/General Federation of Greek Workers], 2014). In the same way, the debt crisis of 2009 in Greece and the other Mediterranean countries represented the pre-planned outcome of the establishment of the model of unequal and debt-based development of the South, in the context of the European division of labour, especially over the last three decades. It was in this way that in Greece, as well as in the other Mediterranean countries, their economies were gradually transformed, by means of the same model, into economies based on tourism and service industries, while at the same time the manufacturing and agricultural sectors of economic activity were contracting.

In the framework of this organisational model of the Greek and Mediterranean economies, conditions emerged which fostered the transfer of significant resources from Southern to Northern Europe, while coping with the dearth of resources thus created by means of a succession of loans, to such an extent that their magnitude and the conditions for servicing them led Greece in 2010 to the brink of bankruptcy, thereby further consolidating, on this model, the financial and political dependence of the countries in crisis on loans from their creditors.

It is on the basis of these facts that the question which needs to be dealt with and resolved is how the contraction of Greece's economy and her industry is to be halted and on what theoretical model and by means of what alternative strategy and policy are the economic structure, the industrial sector, the welfare state and social cohesion in Greece to be reconstituted.

It is precisely this purpose which this paper has – that of contributing to the debate which is currently being conducted, especially within the circles of the Left in Greece and the other countries of the European Union. This is a public debate focussing on the present and the future of the Greek and European economy and industry, in conditions of economic crisis and recession, diversification of the terms and conditions of internationalisation and fresh forms of the international division of labour, technology and employment.

It is a public debate which is not confined to the immediate confronting of the consequences of the economic crisis and recession, but makes clear the necessity for changes which – rather than consolidating the recession – will promote development, the upgrading of the manufacturing position of Europe on an international level, the technological revolution and the possibilities which this embraces in a multitude of fields, the constantly changing composition of populations and the age pyramid in relation to social security provisions, the waves of immigration and environmental problems and the nature of education as a continuous process. In all of these fields, the prevailing orthodoxy has proved itself to be utterly inadequate and disastrous, insisting as it does on policies which correspond to a model appropriate to an entirely different epoch.<sup>1</sup>

This paper, of course, does not seek to cover all aspects of the financial crisis and the recession and the contraction of the industrial sector. However, what it does hope to achieve, under the three headings which it includes, is to make a contribution to the investigation into, and study of, aspects of the economic crisis and recession in industry which is either at the core of scientific debate or, as would appear to be the case, acquires ever greater significance for the formulation of alternative proposals in respect of economic and industrial policy.

Indeed, the scientific approach, in particular during periods of dogmatic entrenchment of “one-track mind” thinking, as is presently the case, requires investigation into an alternative mode of thought and the promotion of an alternative proposal in respect of economic and industrial policy on the understanding that policies of internal devaluation do not restore and stabilise the economy but, on the contrary, leave the economy

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1. A. Liakos, in [the newspaper] *To Vima* of 1-3-2015

paralysed by recession and by cuts in salaries, in pensions, in public and social expenditure, and by high unemployment.

Furthermore, there is a need to seek opportunities to formulate and pursue a policy which has the opposite message of that of “internal devaluation”; in other words a policy of economic and social reconstruction and transition from the neoliberal business-centred model to a model of sustainable refashioning of the economy and society, as being the only effective choice for the re-launching and prospective development of the real economy in Greece.

Indeed, in the first of the three headings of this essay, which refers to industry and the financial crisis and the recession, the structural problems and the qualitative characteristics of industry during the period 1990-2014 are looked at, as well as its position in the dynamic of the unfolding of the economic crisis and recession<sup>2</sup>.

The second heading, which examines the character of the reconstruction of production and the position of industry, looks at the structural, economic and environmental dimension of reconstruction as well as at the macroeconomic approach and approach by sector.

In the third heading, which refers to issues of industrial policy, the determination of priorities by sector and by region, the planning of the distribution of resources and the new framework of industrial policy are examined.

Finally, the essay ends with a Greek and foreign bibliography relevant to its content.

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2. The writers of this essay wish to express their thanks to Spyros Chrysanthopoulos for his substantial input into the first chapter.

## **Chapter 2: Industry and the economic crisis**

### **2.1. Structural and qualitative characteristics during 1990-2014**

The development of industry is a decisive factor in the achievement of sustainable economic and social development. Its developmental role arises from its significant contribution to all the vital economic interests such as GDP, income, employment, exports, the cross-sectoral relations which are developed with other sectors of the economy but also the achievement of long term fiscal balance.

The secondary sector of the Greek economy developed mainly in the post war years and up to the end of the 1970s. This development on terms of imported industrialisation can be attributed to a great extent to the quantitative enlargement achieved by the manufacturing sector which did not, however, succeed in making any significant improvements to its own structural problems and characteristics. The chief characteristic of Greek industry prior to the period of transition to democracy was the protectionist framework of the state within which the network of client relations between state and businesses flourished which led to, on the one hand, the dependence of businesses on selective state subsidies and, on the other hand, sluggishness in everything concerning the adoption of practices connected with technological and organisational and operational modernisation and improvements to their productivity.

Since the 1980s, the changes in the worldwide economy, the chief feature of which was technological advances and the lifting of restrictions on international transactions, but also the changes in the Greek economy that came about with her entry into the European Economic Community, resulted in important transformations in production which led to the significant enlargement of the tertiary sector to the detriment of both the primary and secondary and, consequently, to the significant contraction of both of the latter in the overall added value of the economy. In essence, the entry of Greek industries into an environment in which open economy operated laid bare their time-honoured structural weaknesses which were, in large part, attributable to the policy of state "protectionism". Nevertheless, at the same time, the policy which was pursued over the subsequent decades failed to make any real impression on the client relationship between the state and business leaders – on the contrary, this relationship was preserved by means of the pursuit of an industrial policy with an exclusively

business-centred approach.

The process of the de-industrialisation of the Greek economy which has gradually been taking place over the last three decades rapidly became more acute after the deep recession of the last six years, resulting in the exacerbation of the structural weaknesses which are characteristic of the entirety of the Greek economy.

Over the past thirty years, as illustrated in Diagram 1, the sectoral structure of the Greek economy has changed significantly. While in 1980 the primary sector represented 12.3% of the whole, in 2013 it represents only 3.5%. Correspondingly, the secondary sector, whereas it represented 28.6% of the whole in 1980, in 2013 it represents only 13.8%, while the tertiary sector shows the opposite trend, having advanced significantly from 57.3% in 1980 to 82.4% in 2013.

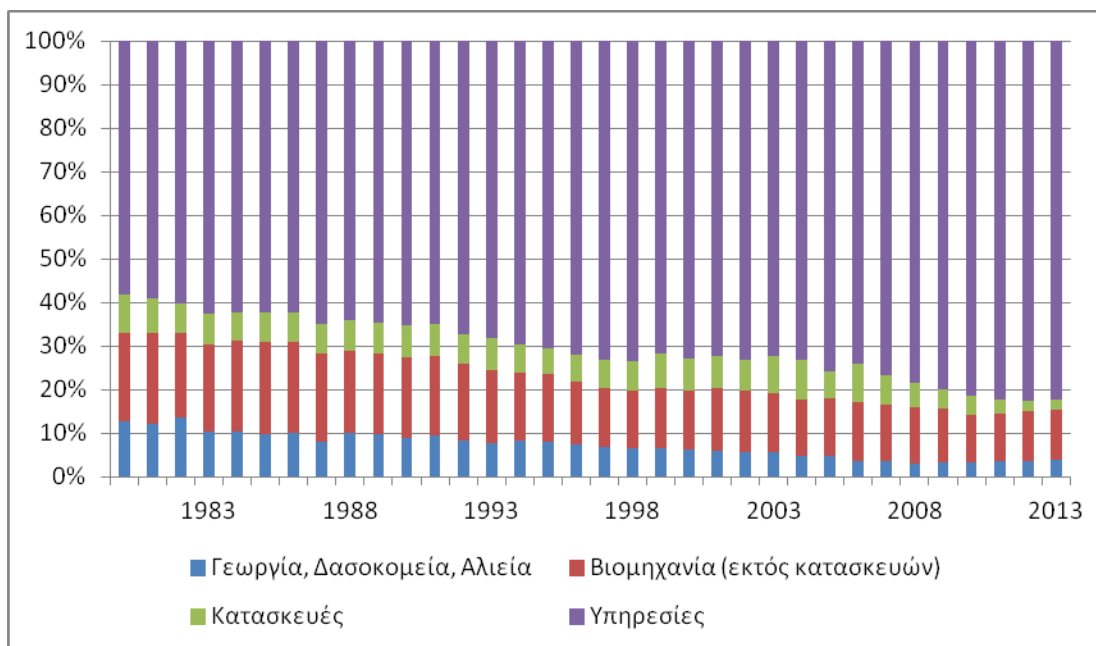


Diagram 1: Percentage (%) structure of gross value added (GVA) of the economy by sector, Greece, 1980 – 2013. Source: Ameco Database

As for the structure of the secondary sector, manufacturing has been gradually losing ground over the whole of the last thirty year period, while on the contrary, an ever greater share is occupied by the energy and construction branches (Diagram 2).

The share of gross added value of the manufacturing sector of the economy shrinks from 17.3% in 1980 to 10.3% in 2009. The strengthening of the manufacturing sector over the last six years within the secondary sector is a result of the decline in the construction sector rather than an improvement on its own account.

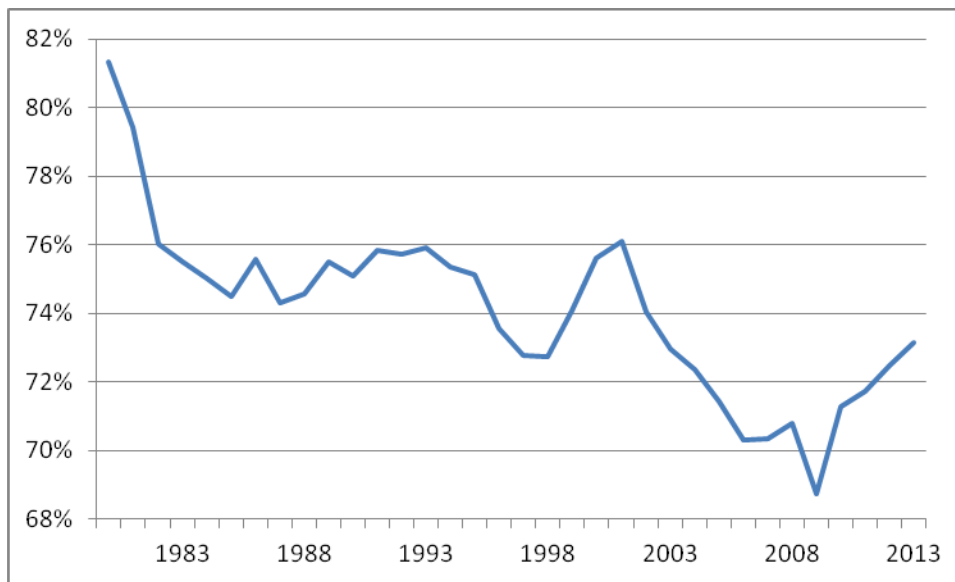


Diagram 2. Gross value added of the manufacturing industry in the entirety of the secondary sector, Greece, 1980–2013. Source: Ameco Database

The structure of employment for the period between 1990 and 2013 in all sectors of the Greek economy is illustrated in Diagram 3. The significant contraction of employment in the primary sector of the economy and its growth in the tertiary sector which is concerned with trade and service industries can be seen. Overall employment in the secondary sector fluctuates for the greater part of the period between 1990 and 2008 at around 20% of the whole. In particular, in terms of manufacturing, employment as a percentage of the secondary sector fell from 62% in 1990 to 55.5% in 2009. In contrast, over the same period, employment in the construction industry rose from 31% in 1990 to 40% in 2009. One arrives, then, at the conclusion that the reduction in employment in manufacturing has been compensated for by the increase in employment in construction and that for this reason overall employment in the secondary sector as a



percentage of the whole remains approximately the same. Collectively, however, the contribution of manufacturing to overall employment in the economy has reduced from 12.4% in 1995 to 10.6% in 2009.

The period of the economic crisis significantly alters the contribution of industry both to the overall added value and to overall employment, as we shall see in detail in the chapter dealing with the economic crisis.

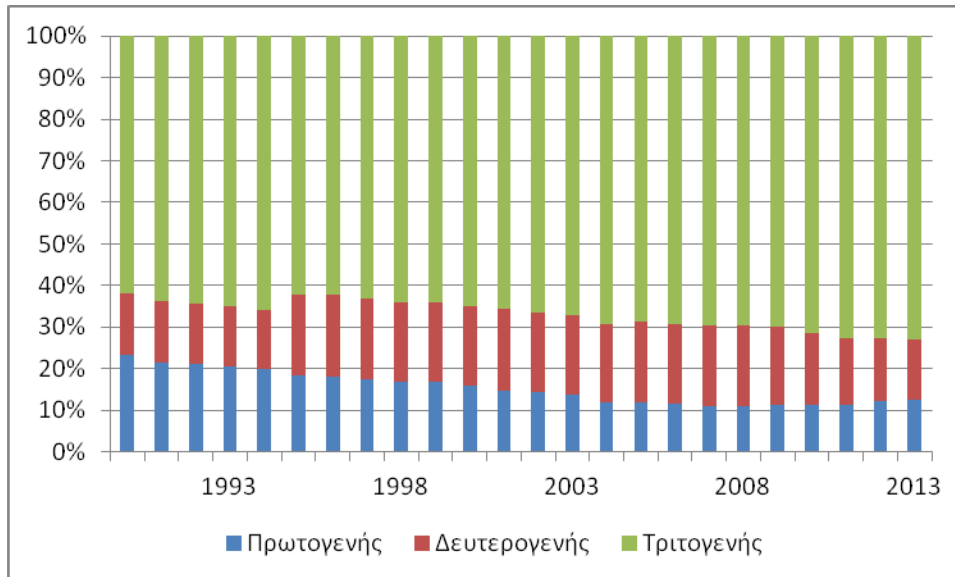


Diagram 3: Percentage structure of overall employment in the economy by sector, Greece, 1990–2013. Source: Ameco Database

The causes of deindustrialisation of the Greek economy must be sought primarily in the structural problems and features of the manufacturing sector of economic activity, of which the basic ones are set out summarily:

**Size of businesses**

The businesses which are active in the manufacturing sector in Greece are characterised by their very small size in comparison with businesses in most European countries.

Size of business	Number of businesses		
	2005	2008	2011
1-9 employees	88.244	81.270	70.438
10-19 employees	1.121	1.475	1.692
20-49 employees	1.017	1.416	1.245
50-249 employees	671	702	571
250+ employees	145	141	120
<b>Total</b>	<b>91.198</b>	<b>85.004</b>	<b>74.066</b>

Table 1: Number of businesses in industry and their distribution in order of size. **Source:** Eurostat

It is evident from an analysis of the details in Table 1 that approximately 95% of the total number of businesses which are active in the specific sector employ fewer than 9 workers and are classed as very small businesses according to the Eurostat definition. These businesses, due to the lack of planning for their technological and production upgrading, are faced with a series of difficulties which hinder their development prospects. These difficulties, such as the inability to have access to sources of funding, the inability to develop, but also to absorb new technologies, the inability to attract specialist staff, the inability to get access to extensive distribution networks and markets abroad make the entirety of these small businesses ineffective in the modern international competitive environment, while at the same time failing to allow very small businesses to increase their turnover in the overall economy and to make any significant contribution to increase in employment.

In addition to this, very small businesses are unable to develop economies of scale so as to reduce the cost of production without affecting the quality of the goods produced and are unable to step up their production procedures, the result of this being the very low proportion of domestic added value, since the business is active in only one stage of the process of production of the final product.

It is significant, according to the Eurostat figures, that the very small businesses, although they represent some 95% of the entirety of businesses, have only 22% of overall turnover, while the very large businesses (those with more than 250 employees), although they represent about 1% of the total number of businesses, have about 47% of the overall turnover.

The system patronage and the pursuit of an industrial policy based on the principle of support for individual business plans have served to perpetuate not only the small size of those businesses but also their limited ability to network. Furthermore, the coexistence of the small size of manufacturing business concerns with the undeclared engagement of casual workers has been a factor in the abandonment of the employee relationship and a shift towards business activity<sup>3</sup>.

### **Branch Structure in the manufacturing sector**

According to the grouping of sectors according to the use which they make of technology, sectors are divided into groups ranging from those using low technology to those using high technology, the criterion being expenditure on research and development<sup>4</sup>.

As far as manufacturing industry in Greece is concerned, the principle volume of production and employment arises from low technology products. To be specific, the low technology manufacturing sectors account for between 50% and 60% of overall gross added value and employment, while the high and medium to high technology sectors account for a very small percentage which ranges between 15% and 20%.

The shortage in the Greek economy in respect of research and technology and investment in the development of innovations is illustrated in Diagram 4.

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3. See P. Linardos-Rulmond, "Remuneration for employment and the accumulation of capital in post-war Greece" [in Greek], Exantas, 1992

4. See G. Argeites and M. Nicolaides, "Economic Crisis and Restructuring of Production in Greece – The role of manufacturing" [in Greek], INE GSEE, Observatory on Economic and Social developments, 2014.

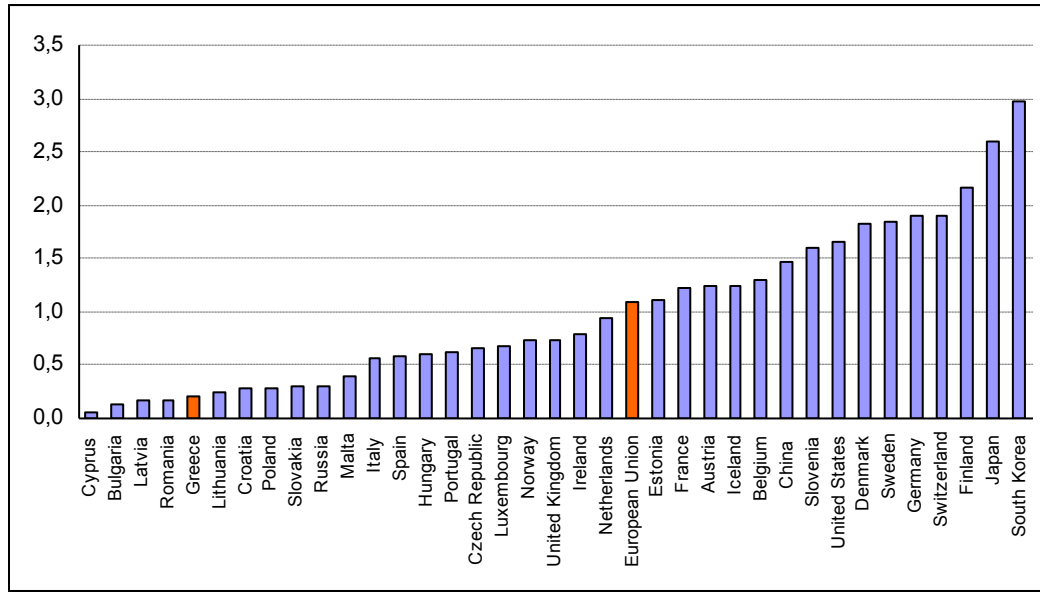


Diagram 4: Total private expenditure on research and development, as a percentage of GDP. Source: Eurostat

The effect of low investment in expenditure on research and technology, especially in comparison with the significantly higher percentage which is invested in countries which compete directly with the Greek economy, is the production of goods which are significantly inferior in quality to the rest. At the same time, the drive to upgrade product quality entails importing technology from abroad, so that the positive effect created by the intersectoral nature of the manufacturing industry in Greece has a positive effect on sectors in other countries.

Because of the small size of manufacturing businesses in Greece, it is reasonable not to have any expectation of expenditure on research and development by the businesses themselves and for the role of state funding in this field to be correspondingly important. As everyone knows, in instances of clusters where networking, as a rule, can be observed between relatively small businesses and research foundations and universities, research is not conducted by the businesses themselves. But, according to an investigation into the global sources of research activity which support those at the forefront of technological development, the public sector has played the definitive role<sup>5</sup>.

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5. See M. Mazzucato, "The entrepreneurial state", London, 2013.

## Investment

The gross investment of fixed capital in Greece up until the period of the economic crisis does not lag significantly behind corresponding investment in the other European countries. But the qualitative features of their composition explain, to a great extent, the inferiority of Greek industry.

To be specific, the share of investment in manufacturing in the overall investment in the economy is the lowest of the EU-15 countries. Meanwhile, investment is constantly decreasing, thereby exacerbating the relative position of the industrial sector.

At the same time, investments within the manufacturing industry sector are not directed over time towards fields of high and medium to high technology, the result of this being that those sectors which could have a substantive role to play in raising gross added value, increasing employment and boosting exports are not being developed.

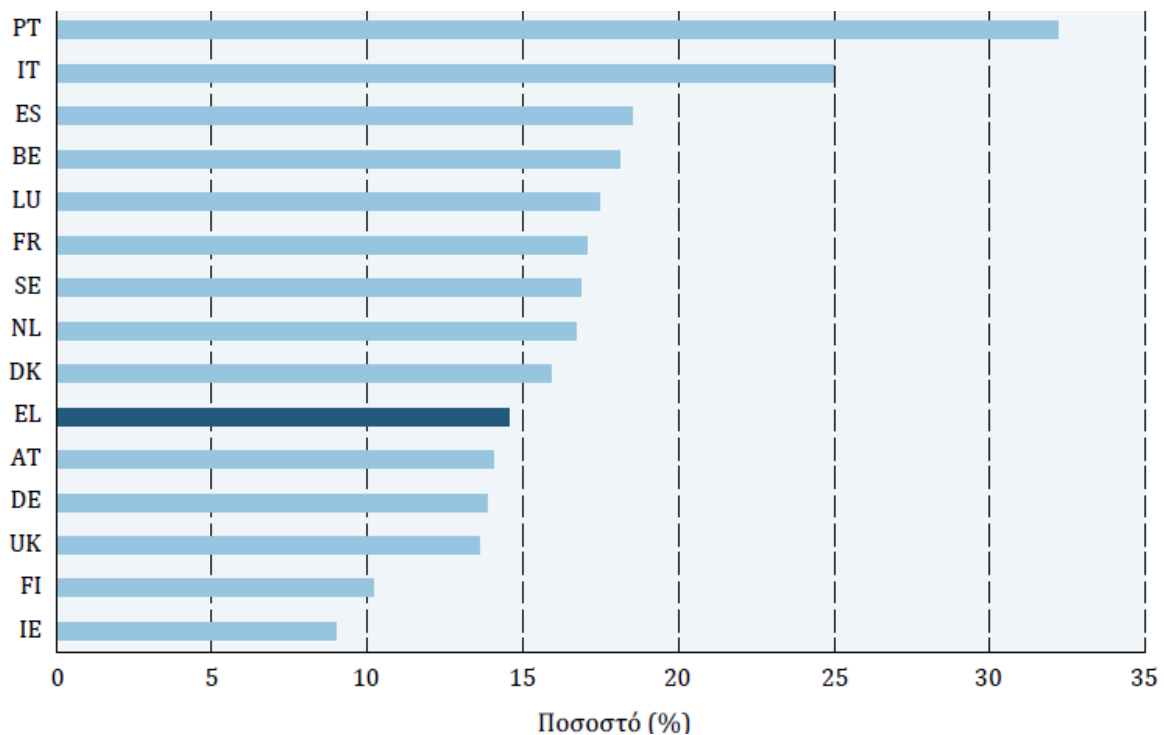


Diagram 5: Gross investments of fixed capital as a percentage (%) of the gross added value, sectors of high and medium to high technology, EU-15, average for 1995-2009. **Source:** OECD, STAN indicators, processed by the Institute of Employment/General Federation of Greek Workers – Economic Developments Observatory, 2013.

The inferiority of Greek industry is in reality more marked since, in Greece, one can observe that the relationship between investment and added value has, historically, been proportionately higher – something which indicates that there is wasting of resources, on account of a less effective organisation of production activity<sup>6</sup>.

## 2.2. The place of industry in the dynamics of the crisis

With the structural problems and characteristics of the manufacturing sector as a starting point, by implementing the policies of internal devaluation the Greek economy entered a period of six continuous years of recession, with the cumulative reduction in GDP approaching 25%<sup>7</sup>. [Similarly, there was a significant reduction (29%) in the German economy in the 1913-1919 period]. At the same time its productive structure is being significantly dismantled, acquiring in the process the features of economic backwardness and reverting to both production and social levels of under-development.

It is evident from the figures that over the years of recession the development of the economic heights achieved during the previous decade has come to a halt. Indeed, in respect of the industrial sector, it is this which is the most badly hit by the economic crisis and recession.

	Annual percentage changes						
	2006	2007	2008	2009	2010	2011	2012
Gross added Value	4.1	3.0	0.0	-2.2	-5.2	-6.6	-6.2
Primary Sector	-13.4	-10.3	2.0	5.2	5.5	-5.4	-3.2
Secondary Sector	11.8	-1.9	-10.2	-7.4	-8.9	-11.7	-3.9
Tertiary Sector	3.2	5.1	2.7	-1.3	-4.8	-5.6	-6.7
GDP at market prices	5.5	3.5	-0.2	-3.1	-4.9	-7.1	-6.4

Table 2: Gross Added Value per sector, 2006 – 2012, In constant market prices 2005. Source: Greek Statistical Authority.

The gross added value of the **primary sector (crop production, livestock breeding, fishing)** is the only one which has not reduced over the duration of the last years, reaching 6,791 million euro in 2012 from a figure of 6,679 million euro in 2008. The

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6. See P. Linardos-Rulmond, "Employment remuneration and accumulation of capital in post-war Greece" [in Greek], Exantas, 1992

7. A corresponding reduction of 29% took place in the German economy over the period between 1913 and 1919.

marginal increase in added value of the primary sector is not enough to influence decisively and control the development of the overall gross added value because of the small size of the primary sector in the Greek economy.

The gross added value of the **secondary sector** (industry, including the energy and construction sectors) has dwindled from 33,500 million euro in 2008 to 23,992 million euro in 2012. The secondary sector went through a contraction of the order of 9,508 million euro, or 29.4%. Indeed, if we compare the gross added value of the secondary sector in 2012 to that of 2006, the conclusion is that the reduction is of the order of 37%.

A similar picture to the secondary sector of the economy is presented by the **tertiary sector** as well. In the services sector, the gross added value in 2012 was 120,015 million euro, down from 144,904 million in 2008. In other words there has been a reduction of 24,979 million euro, or 17.3%.

The effect of these developments is to significantly influence the proportion that the sectors of economic activity contribute to the overall added value to the economy. Thus, in 2008, the percentages that the sectors contributed to the overall gross added value to the economy were as follows: primary sector 3.6%, secondary 18.1% and tertiary 78.3%; while in 2012 the percentages were as follows: primary sector 4.5%, secondary 15.9% and tertiary 79.6%.

This analysis leads to the conclusion that the contraction in the overall gross added value does not come about as a result of an evenly balanced reduction in the various sectors of the economy.

Rather, it is abundantly clear that the sectors which have been more seriously affected are chiefly the secondary and also the tertiary sectors. Furthermore, the increase in the percentage contributed by the primary sector, rather than representing the upshot of the shift of the production process to that particular sector, is something which is the result of the huge decline in economic activity in the other sectors.

On examining things in more detail, as far as the secondary sector is concerned, the reduction in the gross added value in the construction sector, but also in industry and manufacturing is cause for concern, presenting as it does a picture of an economy which has become utterly de-industrialised.

In addition, developments in **Gross Investments of Fixed Capital** are particularly negative. The year 2013 is the sixth year in succession in which they have been reduced, the result of this being that while in 2007 the gross fixed capital formation reached 54,469 million euro (in constant prices for 2005), by 2013 it had reached 20,095 million euro (in constant prices for 2005) – a reduction of 64%.

This development affects both the current and the potential product (i.e. the future production capabilities for the economy), while at the same time having a negative effect on the composition of the domestic product. The significant lagging behind in investments of fixed capital in the face of depreciations signals the country's entry into a vicious circle of productive stagnation, disinvestment and subsidence in overall production. If the country remains in this economic framework, it will lead to serious downgrading of production which will signal, in effect, its inability to respond productively to the requirements of international demand and to it resembling countries which are underdeveloped from a production and technology point of view as well as socially. Indeed, the long term lagging behind of investments in the face of depreciations represents a hindrance to the economy's potential to emerge from this unfavourable economic context, since the resources required to finance the reconstruction of the productive fabric and the re-launching of the economy will be immense.

This is one of the reasons why the reconstruction, from the moment at which it assumes social objectives of an urgent nature, cannot follow the same road of recovery as that of an economy which is undergoing a mild recession. The priority of providing for social and environmental needs with the parallel need for the reconstruction of a productive fabric in conditions of external equilibrium, require a combination of a widespread redistribution of income (by writing off debt and internal redistribution) and the protection of productive activities from international competition.

The above analysis makes it clear that the policies of internal devaluation are depriving investment, development and employment in the Greek economy of significant resources.

In this context it is notable that the serious stagnation in gross investments of fixed capital in both the public and private sectors of the economy has resulted in a reduction of GDP by 10% and the loss of 150,000 jobs (Annual report on the economy and



employment Inst. Employ/Gen. Fed. of Greek Workers – 2013).

However, in parallel with the rapid increase in unemployment, there has been a new wave of emigration of skilled labour (230,000 individuals) chiefly to the USA, Australia, the Northern European Union countries etc., thus controlling and directing the country's knowledge and mobility from the Mediterranean to the Central and Northern countries of Europe. At the same time, on a national level there has been a significant downgrading of the terms and conditions of employment. On the one hand, the measures which have been adopted bolster flexible working practices at the expense of full and stable employment, providing complete freedom when it comes to hours of work, they make dismissals easier by watering down the restrictions and they dismantle collective agreements and the way in which wages are shaped. On the other hand, they are not successful in curbing the rate at which unemployment is rising. On the contrary, they contribute to its increase (from an average annual unemployment rate of 7.8% in 2008, to a rate of 27.5% in 2013). Nor do they boost the level of competitiveness of the Greek economy, as is shown by the analysis of fixed capital investments and the overall development in the vital manufacturing industry sector.

In essence, the strategic choices of flexibility of employment and flexibility of wages have, with the benefit of hindsight, served to aggravate resource distribution conditions resources and to intensify the imbalances and contradictions in the labour market, resulting in reduced employment and increased unemployment, but also in the deterioration of the terms of employment with serious repercussions for structural competitiveness and the downgrading of the quality of Greek goods and services.

## **Chapter 3: The character of the reconstruction of production and the position of industry**

### **3.1. The structural economic, social and environmental dimension of reconstruction**

The economic crisis and the implementation of the policies of the bail-outs have changed the face of the Greek economy and society, leading to a dramatic reduction of social indicators and a sharp decline in production indicators, while the environmental “facilitations” have served to reverse the limited progress which had been made in respect of the environmental impact of production activities.

The austerity policies which have been implemented since 2010, and in particular that of internal devaluation, have led to a historic decline in employment (with unemployment at 27.8%), in social expenditure (e.g. a reduction in spending on pensions of 32% – that is to say from 33 billion euro in 2010 to 22 billion euro in 2014), but also in the totality of services provided to the population, effectively dispensing with the “European” features of Greek society.

In truth, apart from the significant increase in unemployment, the real remuneration of employees over the period from 2010 to 2014 has been reduced by an average of 21% (37 billion euro), while the level of pensions has been reduced by 45%. The purchasing power of the public over the same period has been reduced by 37.5% and domestic demand has reduced by 32.4% so that it has reached 1990 levels. In addition, by 2014 there were 2.3 million people in Greece living below the poverty level.

From the point of view of productive activity, while GDP has declined by 25% over the period from 2009 to 2013, industrial production has collapsed since it has been reduced by 27% over the same period. But this translates to reductions of 60% in respect of the production of consumer durables and capital goods (see chap. 1.2.).

The upturn in economic activity and the ability to meet employment and social services needs in a short space of time cannot come about as a result of the approach which has been employed until recently, that of internal devaluation and expectancy of the influx of

foreign investment, but neither can it come about as a result of a classic 'virtuous cycle' of increase in demand, activation of investment activity by business leaders and so on.

We say this **Firstly**, because the period of the bale-outs has shown that the drastic reduction in workers' wages has not resulted in an influx of capital or a revitalisation of investment activity by domestic businesses, which have simply benefited by increasing or holding on to their profits. The stagnation in the production structure and the loss of competitiveness which were manifest prior to the crisis cannot simply be dealt with by means of a strategy of low wages, deregulation of labour relations and dismantling of the welfare state, a strategy which ignores the very important problem of the non-existence, amongst other things, of suitable institutions and concomitant political conduct on the part of the business community aimed at implementing a fresh economic strategy, based mainly on industry. In these conditions, business enterprise remains obsessed with its various individual survival strategies which do not in any way form a holistic approach to the reconstruction of productivity and industry.

And we say it **Secondly**, because the resources do not exist which might be able to produce a sudden rise in demand, nor is there a corresponding European and international environment, and the only thing that anyone can expect is intense competition between business concerns aimed at securing part of the available resources and special privileges without giving any thought to the question of development.

**Thirdly**, because with whatever resources are available, the optimum combination of improvements on the technological and production (not forgetting the environmental) level can only be achieved by planning new production targets which can co-exist alongside social and environmental objectives whilst securing both the necessary decision-making processes within society and the appropriate fresh institutions and policy tools. Moreover, after the lengthy period which has led to the present crisis, the existing institutional framework can no longer entertain a classic Keynesian strategy based on social negotiation, much less a development strategy based on the premise of cheap labour. After the last 30 year period during which the development and in particular the industrial policy has never amounted to anything more than the sum of the particular short-term interests of existing business leaders, or those of individual investors, the requisite institutional framework which could lay the foundation for a fresh

approach does not exist. The corresponding culture does not exist within the business community, nor are there the appropriate political personnel. Those we have had up until now have simply waited for recommendations, such as that of internal devaluation, from outside agencies.

The existence of a weak state alongside a sick society of citizens in a community and economy in which the only strong institutions are the political parties has already been recognised and analysed. "Large businesses and especially the unions of Greek industrialists and ship owners have benefited from preferential treatment at the hands of the Greek state. But it was these same unions which were reluctant or ineffective when it came to the modernisation of the services of the Greek state which could strengthen the state itself as an organisation"<sup>8</sup>.

Concern for reconstruction cannot limit itself to simply pleading for a dynamic development thereof, in respect of which neither the appropriate institutional framework for the pursuit of a policy, nor the necessary communal involvement of the business community are there. What is required is the conception of those changes, in the sense of having an understanding of society, of economy, of statehood, of public policies and the subjects of those changes<sup>9</sup>, as well as the working out of a plan which will not exclude private business activity (when accepts the new targets and rules) but which will also include significant public interventions and investments as well as social initiatives which will fuel a dynamism which will replace to a great extent public and private activity which has shrunk to virtual non-existence. But this plan itself, whether at a local or a national level, in respect of which, moreover, feasible integral processes are lacking, requires the engagement of local communities before anything else, so as to find a correspondence between expressed needs and possibilities on the one hand and structured proposals on the other. This process will be one of the building of fresh institutions and the hammering out of new policies which can only find legitimacy by means of their simultaneous scientific foundation and their acceptance by the active community.

Unless this type of radical change of approach is adopted, there will be no possibility of

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8. D.A. Sotiropoulos, "A colossus with feet of clay: the state in post-authoritarian Greece," p.51, in H. Psomiadis, St. Thomadakis, Greece the new Europe and the changing international order, New York, 1993

9. A.Liakos, op.cit.

changing the productive and social landscape, given the way that it has been shaped after the period of the bail-out policies: high unemployment, extensive poverty and absence of social policies on the one hand, and opportunistic investment and business activities which form no part of a structural approach on the other. All those sectors where the existence of particular needs are combined with the existence of combined production possibilities, social services, the production of foodstuffs, energy, waste management, research and training, are sectors in which significant private initiatives are unlikely to manifest themselves, and where, on the contrary, the combination of public policies and private or local community initiatives can meet the existing massive gaps.

The implementation of an industrialisation strategy after a lengthy period of simultaneous development and loss of competitiveness, as has been the case after the devastating policies associated with the bail-out, will require a radical renewal which will have to concern itself not only with the renewal of the forms of expression of the will of the people and economic interests in order to determine the directions which policy should take, but also with the institutions themselves and the tools needed for the pursuit of the policy in question. If the considerable issue of the manifestation of the dynamism of society in all that concerns new practices on the level of the production of goods and services is to be addressed, it will be necessary to introduce the possibility of developing social initiatives, in other words the development of the Social and Solidarity Economy. This does not mean that this type of economy can replace the private and public economy in general, but that the political plan – in respect of every sector of activity and every approach to reconstruction (whether by sector or by locality) – should make provisions for the position which the social and solidarity economy can and should occupy. This position is not just a function of the extent of these activities, but also of the depth to which the principle of the collective character of decision-making, of direct democracy and scrutiny by the people has progressed in society at large.

The great issue of strategy with which reconstruction is concerned in reality is that of addressing and mitigating climate change. It is now beyond doubt that not only living conditions but also conditions for the pursuit of activities of production, and geographical and social inequalities will steadily worsen if immediate and drastic steps are not taken

on questions of CO2 emissions, but also for the protection of populations who are already being hit by the repercussions of climate change. Faced with these threats, the response of societies can only start by responding to the objectives of a sustainable strategy of limiting emissions – on a national and Europe-wide level – which will entail adapting production activity to a new energy model. This means that for the purpose of a reconstruction strategy, the acceptance of the logic of the planning and collective processing and implementation of planned objectives must constitute a basic methodological choice<sup>10</sup>.

### 3.2. The macro-economic approach

The theoretical model for economic recovery which represents a continuation of what is now a sovereign strategy presupposes the sort of openness by means of which the conditions take shape for the constant balancing of external transactions (in conditions, naturally, of internationalisation), and for the gradual increase in remunerations, expenditure on social programmes and employment. Apart from the fact that such a prospect is exceptionally uncertain, since it should have already been made manifest and appeared in the form of the necessary sectoral and institutional targets, it shifts social issues, issues of employment, but also the environmental issues to the sidelines of the objectives. But for a strategy of restructuring of production, both the confronting of social issues and the confronting of external balances (which is a requirement if they are to contribute to the change of the economic and social model) must have a “front-loaded” character, and the choices made on those issues which concern the distribution of resources or the institutional interventions must be subject to the same logic.

With regard to the question of resources, the neo-liberal approach makes virtually everything subject to influxes of capital through foreign investments whilst continuing to service public debt. The approach of (total) restructuring is, of course, different not only in relation to the origin of resources, but also in relation to the priorities when it comes to expenditure, but cannot, naturally, be other than different in that which concerns the framework for dealing with international economic relations. As regards the origin of the resources, what is required first and foremost is redistribution on class criteria, either in

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10. See A.Giddens, “The politics of climate change”, Cambridge, 2009

the form of the writing off debt, or in the form of taxation, or in a combination of the two. At the same time it is necessary to adopt a strategy of removing private capital's privilege of creating money which must be the object of public policy. In this way, in conditions which one way or another are transitional, it would be possible to exploit the potential for the creation of local supplementary currencies which could constitute definitive tools in the revitalising of local and regional systems of production.

The increase in employment will be swifter if priority is accorded to low productivity activities such as social services and agricultural production and in respect of those concerned with merchandisable goods there will have to be regulation of the problem of low competitiveness. But the increase in employment in activities concerned with research, studies, the development and assessment of policies, which will have to assume large dimensions if we want a plan to exist and be implemented, will also be concerned with labour intensive and low productivity activities. As far as labour intensive high productivity activities (software), or medium intensity technology activities (machines and appliances), their necessary development will also have to endure a period of low competitiveness, and special techniques and arrangements will have to be found for the purpose of dealing with this.

There is no striking innovation in stating that an economy which has collapsed, in order for it to restructure, must be selective in adopting forms of protectionism, always on the basis of a plan. We are not, of course, talking about a return to the protectionism of the post-war period up to the 70s, but about a combination of inward and outward looking which will have to be the object of careful preparation and continuous monitoring and will have to secure the broadest possible consent and with various categories of business people. The prevailing view today that protectionism has negative repercussions not only for an individual economy but also for the totality of, for instance, European economies, is a myth which serves to conserve the tried protectionist methods employed by the strong economies; at the same time, forms of protectionism which support the profiteering of big business – like the various versions of tax, societal and environmental dumping – are thought of as justifiable choices of the weak economies for the most part, although not just in their case. Consequently it is not logical not to legitimise policies which protect employment or social services in the

context of agreements which have a trans-national character<sup>11</sup>.

The search for available resources is clearly directly related to the potential of economic policies to influence increased employment and posit production and social objectives. The first category of available resources is the resources in the form of money which will have their origin in the reduction of interest on debt, in the redistribution of income, in the N[ational] S[trategic] R[eference] F[ramework] and possibly in the securing of a development loan from the European Investment Bank (environment and climate change). The second category is the resources which come from bank lending which is directly dependant on the liquidity of the banks. The third category is the “inactive capital” – in the shape of abandoned buildings, abandoned equipment and land which is not under cultivation. When we find ourselves confronted with the need for a rapid increase in employment and improvement of social services and we need to choose which resources we will spend and on what, it should be possible to form a choice which says that the inactive capital is being turned to our advantage (with the assistance of funding from the banks and/or public resources), the resources of the NSRF (consisting largely of investments) are being redirected, a development loan is being spent on investments and the greater part of the resources which come from payment of interest and redistribution goes directly to salaries of those working in social services or public utilities.

An addition in relation to the above scenario is the preparation for the adoption in some areas of complementary currencies<sup>12</sup>. In reality these could allow the inward looking revival of the economy to be organised, permitting the production and exchange of goods and services wherever each currency was valid, in combination with the increase in employment in nation-wide social services, where a part of the expenditure (at least for remuneration) could be met with complementary currency. In reality the social mobilisation which is necessary on a regional basis in order to determine and decide upon the directions of reconstruction can, at the same time, be the mobilisation which will set the right conditions for the launching of enterprises based on supplementary currencies. At no point should the Left in Greece lose sight of the fact that it has to represent the agent of a radical institutional renewal which cannot be seen simply as an

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11. See Frédéric Lordon and others, “Le protectionisme et ses ennemis,” Paris, 2012

12. See Bernard Lietaer and others, “Money and sustainability: the missing link,” A report from the club of Rome, 2012



appeal to the “movements” or the “class struggle,” but as an organised collective transition from piecemeal social activities and actions to planned changes and new forms of social and political organisation. The development of the activities of the social and solidarity economy represents one of the ways towards the setting up of the inward looking recovery, since it allows the achievement of exchanges and co-operations outside the market economy.

### 3.3. The sectoral approach

The endeavour to work out a plan with sectoral and branch choices in relation to the production and economic structure of the country is an approach which has to be redefined so that it can be understood in present day conditions and not appear to be a dogmatic rehash of the old “branch policies.” The prevalence in neo-liberalism of the approach of industrial policy from the viewpoint of “horizontal policies” was the result of a change of view which was due in the main to globalisation, and held that what had to happen was that national economies should not be developed in an integral fashion but that businesses should be developed in the international market and that the national economy should improve its position in proportion to the international competitiveness of its business enterprises.

Horizontal policies do not represent a clear solution to the problem of industrial policies, since it is difficult, if not impossible, to ignore the question of branch or sectoral choices. In theory, horizontal policies are as valid as sectoral or other choices, and lend effective support to the businesses (and, by extension, to the branches) which have the potential to develop and become competitive, on account of developments in the market and their own business capabilities. However, this approach stumbles when confronted with the following problem: since the policies – research, education and training, infrastructures, funding, government procurement etc. – can influence the dynamic and the competitiveness of industry, why can they not also influence its orientation and structure? Of course they can, as actual developments show. It is just that the options which are eventually implemented and supported represent, in the final analysis, a combination of preferential relations with the state and links to the inner sanctum of the business community, without there being any further requirement for public debate and assessments of policies.

It is, of course, easy to see that such an approach was not the one adopted by the industrial countries of Europe and of Eastern Asia, each in their own way. Their common characteristic, despite the rhetoric about globalisation, is that state policy supports not only individual businesses but whole sectors (“branches”) which they assess as having a strategic role to play in relation to the preservation or expansion of the country’s prosperity. On the other hand, as was the case in Greece, the rhetoric on horizontal policies from large scale businesses cannot seriously be thought of as proof that they were not trying to get special treatment; rather it proves that they had already secured that special treatment through their client relationships and through corruption and were not keen on this becoming a subject of debate and public negotiation.

When ways of meeting needs which are not being met and ways of balancing external transactions in a period of reconstruction are being sought, choices with a sectoral character are inescapable, both in the production sectors and the service sectors. These choices must have a mutual cohesion and must have secured a dynamic, first and foremost because potentials for the development of the one or the other activity exist, from the aspect of the initial preconditions, because the preconditions are also there [for the development of a relevant dynamic] from the aspect of demand and development of that demand, and because it is possible to configure the institutional and political conditions which will favour the development of the activity in question.

In relation to the environment, energy policy and climate change, on the one hand there is the overall question of the energy strategy which is to be adopted and the nature of the bodies which will implement this strategy (this strategy includes also the choices concerning CO2 emissions), as well as the expenditure on protection or restoration of natural resources, but also the question of how to deal with the effects of climate change. An important issue in energy policy is the extent to which forces (local, in each case) can be mobilised so that investments are brought about close to the areas of consumption and so as to facilitate flexibility of production systems. Part of the energy strategy includes improving the energy efficiency (and earthquake resistance) of the country’s buildings, for which resources have to be made available. While this is a sector of activities which is labour intensive, it is also a sector where co-operative enterprises can be fostered as well as getting existing construction businesses to take action. Recycling is also a field where it is possible to develop co-operative enterprises in

concert with local authorities or even private business initiatives.

Included in the framework of energy strategy is the transport sector and the need to reduce energy consumption by the development of the rail network, short sea shipping and possibly mass road transport, so as to limit travel in private cars, without forgetting bicycle travel in towns. In Greece, by making best use of existing lines or creating new ones, railways could constitute a serious factor in reducing CO2 emissions, developing a popular medium of transport, activating domestic branches of industry and increasing employment opportunities. The necessary development of short sea shipping which is a prerequisite for essential economic integrations in coastal areas (both district and local networks) could be a factor in the revitalisation of social or local authority initiatives as well as a factor in the development of the existing domestic production force, as well as an increase in employment opportunities.

The totality of those services which constitute the "tourist sector" hold tremendous interest for a reconstruction strategy because, on condition that there are limits which have been set down and are honoured, this sector offers many important advantages: it is outward looking and therefore not completely dependent on the internal market, it is labour intensive and consists of activities which can be developed speedily, and it also has huge international visibility. Many areas of the country, starting with Athens itself, already have a tourist infrastructure, but have the potential to significantly increase the number of visitors, and consequently their turnover, by renewing their tourist product in the direction of popular and quality cultural and environmental tourism. An orientation of this kind can constitute a model for renewal which can offer an exceptional quality/price ratio, an extension of the tourist season, and co-existence with the model of expensive tourism (which has failed in many areas) to which it will offer a complementary side, creating the conditions for a broad social consensus around this prospect. The opportunity will also be utilised to combine public investment, private initiatives and social initiatives with supplementary and innovative ideas about production and meeting, amongst other things, the tourist demand in our country. The tourist sector can represent a definitive driving force for the transition to local systems of production by means of inward looking planning.

Agricultural produce and foodstuffs constitute activities which by common consent are thought of as eligible in respect of the restructuring of the edifice of production in the country.

The lack of these products abroad is huge, and there is also great potential for renewal and diversification of production, as well as for the balancing of external transactions. They are also labour intensive activities which can create many employment opportunities, whilst there is widespread know-how and there is also land available. The production of agricultural produce and foodstuffs has to be directed to a large extent to the internal market in order to meet immediate needs whilst, in specific cases, also striving to further develop quality produce which is directed at the external market. It remains to be seen how this sector will be incorporated into the regional restructurings and how it will operate as a complement to other economic activities in industry or services, and how, moreover, both the available land and existing decommissioned foodstuff producing factories will be made use of by individuals or co-operatives.

Despite the fact that because of the crisis and the bale-out memoranda the production of durable consumer and capital goods has decreased by 60%, there continue to be businesses involved in manufacturing outside the foodstuffs sector, while there are naturally many which have closed down or are under-operating. The issue of the revitalisation of manufacturing activities, and especially those which are concerned with items of equipment and durable consumer goods depends at the same time on both the outward looking attitude of the industries themselves and to a great extent on their ability to respond to a fresh form of isolationism, substituting imports or assisting production activities to rely on the domestic production of equipment, intermediate products or durable consumer goods. The adoption of an approach of this sort is clearly necessary, but at the same time is not achievable in all cases. Up until now the assessment of possibilities of this sort has been the result of the intentions and interests of individual business people or groups of businessmen. The transition to a culture of planning is indispensable in order to extricate public debate from the developmentally disastrous business-oriented perception which has brought about the continuous loss of competitiveness and the present crisis. In other words, this transition means that – contrary to the view of M. Friedman expressed in his book “Capitalism and Freedom” (1962) – the social responsibility of businesses does not consist solely in

increasing their profits, but in promoting the interests of the whole, thus transcending the interests of the businesses.

There is a small but lively digital technology sector in Greece which has developed in various ways, experiencing periods of isolationism and international successes, based as it is in high level university departments and on the existence of a worthy and numerous human workforce. The exploitation of these potentials to date has been due to foreign investments, from start-ups which were supported by European funding, but also from domestic business endeavours. In respect of these activities too, the issue of the priority of isolationism arises, since needs exist which can lend development to the domestic market, while private or social enterprises can be developed which have the potential to meet these needs. This, of course, is one of those sectors of activity where supporting and disseminating of the production of new knowledge can have significant results.

The prevailing strategy today in relation to activities which should be supported is based on the pursuit of extroversion and the achievement of international competitiveness. In an economy which is faced with the problems which follow on from an economic and social collapse, the priorities should be completely different and start from the need for an optimum combination between the exploitation of the productive potentials and meeting social needs. Such a reasoning requires acceptance that international competition is not the main criterion on which an activity is to be selected and supported, and consequently that ways have to be found to combine extroversion with isolationism. The exploitation of available and idle productive potential is both a possibility and an important advantage in the framework of such an approach.

## Chapter 4: Industrial policy issues

### 4.1. General matters

The institutional framework within which the industrial policy which has been pursued in Greece up until was shaped during the 80s, in the context of the resolution of a heated confrontation between the PASOK government and the Association of Greek Industrialists [AGI] in connection with the problem of heavily indebted businesses. The then newly-elected socialist government's attempts to deal with this phenomenon by creating new institutions and industrial policy tools – and, thus, through an active State intervention in the industrial sector – met with a categorical refusal on the part of the AGI's united front<sup>13</sup>. The outcome was that the framework in which industrial policy had been pursued over the preceding period, which had combined the funding of these activities with the preservation of the client relationships of the same businesses with the machinery of state and the banks, failed to receive any challenge. The emphasis on the operation of the machinery of state for the purpose of looking after individual private interests has led to the preservation of an ineffective and "bureaucratic" state to this day. During the 80s the historic shift was inaugurated in the Greek economy in the direction of financial capitalism, with the "liberation" of the banking system from state administrative controls and the creation of a "market". This market's chief function was to create a new cartel of banks, which, by means of the increase in allocations of funds with interest, allowed the National Bank to save itself from the burden of bad debts which had been left by the heavily indebted industrial businesses.

It is characteristic that the prevailing views today concerning the future of industry and the world of business in general, try to introduce fresh approaches, but without carrying out an overall review of the failings of the past, and also without setting objectives connected with the implementation of a plan for economic and social restructuring.

These perceptions remain obsessed with the pursuit of looking outwards and the support of business enterprise for its success, and with superficial and generalised reviews of the institutional framework for the pursuit of policy. From the viewpoint of

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13. See T. Sakellariopoulos, "Problematic businesses: State and Social Interests during the decade of the 80s", Athens, 1992

the “systemic” perceptions about the development of industry no attempt is being made to match restructuring with the needs of society or, for that matter, with a consistent restructuring of production which strives to deal simultaneously with issues of social cohesion, international economic integration and environmental sustainability.

The McKinsey report<sup>14</sup> on behalf of the Association of Businesses and Industries (ABI), returns to the assessment that the problem lies in over regulation of the economy and bureaucracy and favours the so-called ‘fast track’ logic which makes no attempt to change the institutional framework but by-passes it according to what the individual needs of the investors are on each occasion. The new economic model which it is suggesting is, of course, outward looking, needs to be based on private and shareholder capital and not on participation by the public, while also proposing the introduction into the public domain of know-how from the private sector. By way of institutional innovation it proposes the creation of an Economic Development and Reform Unit close to the prime minister, and in the totality of the proposals it makes it discounts reform of the institutional framework which might aim at an active role for public bodies and the wider networking of factors and institutions which play a part in the pursuit of industrial policy.

According to the position of the chairman of the ABI on the subject of restructuring<sup>15</sup> what is stated again amounts to the aims of looking outwards, of exports, of the reduction of state expenditure, and of the creation of an integral space for innovation which includes business and universities, while the implementation of these aims requires nothing more than the exclusive support of business enterprise. The proposal of the ABI, like that of the McKinsey report, includes branches of activities which are assessed as being capable of representing driving forces behind an outward looking development of industry and the economy. However, they do not formulate reconstruction plans, since these possibilities provide no guarantee of the dimensions which the development of these branches could assume, nor do they correspond to the needs of a restructuring of production with aims which have to do with economic, social and environmental balances.

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14. McKinsey, Greece in 10 years time, [in Greek], September 2011.

15. Demetris Daskalopoulos, in a talk at the event “Restructuring of Production by Innovation – a modern industrial policy for Greece”, December 2013.

A working paper by researchers which summarises the conclusions of 14 studies on the issue of “smart specialisation” in Greece<sup>16</sup> sets out to combine the extroversion option with the provisioning of this choice with a “system of innovation” (which, however, is not clear and still remains business-centred) while on the other hand understanding innovation exclusively as the production of new high technology products. This logic is also developed in the Business Programme, Competitiveness, Entrepreneurship, Innovation for the period 2014-2020. The response to the institutional framework which can put into operation a system of innovation as a chain of functions which starts from the production of knowledge gained from research, continues with the development of technology and then passes to the product development units in the businesses and finally to technological support with mediation mechanisms, removes the issues of both the general aspect of restructuring, and also the political decision making procedures by means of which choices are made at branch, local and institutional levels (which cannot concern themselves solely with cutting edge technologies and outward looking productions), as well as the indispensable part played by social capital which is constructed by means of the generation and transfer of knowledge which has both an explicit and implicit nature. There is an issue of a general approach in which the available knowledge and societal capital base is turned to advantage: the objective is to support businesses which can turn this capital to account, or to formulate a plan which includes social and production goals which will be founded on a much wider scale of innovations than those which concern competitiveness of products and innovation in products or technology.

In reality there is no business-centred approach to the development of an economy or a region, since all the available effective models are based, in one way or another, on collective forms of decision making and not on decisions of individual businesses faced with the “market”. The development models of East Asia and China have this characteristic, chiefly by means of the involvement of public institutions. But the German model as well represents the adaption of a Ford-type system to the globalised environment, with the preservation of institutions of collective negotiations, networks with universities and public institutions, employee participation and links to local

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16. Nikos Comnenos, Elena Sephertzi, Smart Specialisation in Greece 2014 – 2020.



development issues.

The clusters which constitute very significant development zones in the industrialised countries also base themselves on formal or informal types of co-operation, on collective decision making and in general on a strong social capital base which is concerned simultaneously with both social and business issues.

The collective character of decisions which affect industrial policy includes, on the basis of European traditions, the participation of employee organisations and citizens in the taking of decisions. The financial capitalism which has established itself in such an absolute fashion in Europe is not concerned with an integrated approach to the economy but is interested in the continued existence of individual innovations and profitable businesses which can increase the profitability of the banks<sup>17</sup>. And its programme has included weakening and, if possible, doing away with any form of labour organisation and professional branches, as well as local institutions for determining what the development priorities are. In the approach of the business associations, and in particular of the ABI, there is no proposal for the integral whole of the economy which pursues the formation of policies for reconstruction, even as a plan for turning "internal devaluation" to account. On the other hand, the neo-liberal treatment has weakened even further the potential of social forces to intervene in relation to the shaping of a strategy for restructuring. If our aim is the existence of social forces which will plan the restructuring, it is now essential to have the participation of the workforce, the unemployed and ordinary citizens in determining choices of a local or national character in respect of production and social issues, by means of the engagement of both their old and their new organisations. And in the Greek society of today, there is a need for forms of production and social organisation to be found and established for large sections of the population. The projects involved in a social and solidarity economy represent an option of significant importance in this direction which must, however be lent support in order for it to constitute a significant economic and political factor.

The need for there to be political interventions which will bear structural fruit for industry, but also for the entirety of the economy, is widely accepted; but the approach which is more often than not adopted is that of the invocation of an intervention by the

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17. See El Mouhoub Mouhoud, Dominique Plihon, "Le Savoir et la Finance" Paris, 2009.

state in connection with which there is no specification as to the social alliance on which such an intervention can be grounded, nor of the method by means of which its content can take shape. The expression that “our fundamental *economic* problem is the state”<sup>18</sup> is characteristic of the view that as long as certain people (report writers or politicians) work out a policy proposal, the state entity can not only adopt it but actually put it into practice. The same thing applies in respect of diffuse ideas about directions of possible developments in the field of industry or elsewhere<sup>19</sup>, which neither constitute a proposal for restructuring nor even propose methods for working out and implementing a strategy of this sort.

In order to pursue an industrial policy in present day conditions it is essential first of all to determine what the available resources are, but it is also necessary to determine the manner in which the needs and priorities are being selected and described, and also the manner in which the industrial policy will be pursued. What needs to be looked at in reality is the transition from a business-centred system (where the needs and aspirations of the existing businesses or the prospective investors are being met), which was and remains a client system, with strong elements of corruption. This is a system which has failed, although its replication in even worse versions has been pursued in the context of the bale-out plans. The great difficulty which crops up in the course of the transition to a society-centred system is that both the planning procedure and the shaping of an integral institutional framework for the pursuit of an industrial policy must be shaped literally from the start, even if it is clear that it is a procedure which cannot lead to a complete result in a very short time.

## 4.2. Determination of sectoral and regional priorities

Production and social reconstruction is the synthesis of different disruptive procedures even if they will be put into practice piecemeal or gradually in reality. It involves, first of all, the adoption of an environmental and energy strategy for the purpose of dealing with climate change and the destruction of natural resources, the complete overturning of the neo-liberals’ choices in matters of social services, the restructuring of the whole

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18. S.V.Thomadakis, “State and development in Greece,” Athens, 2011, page 500

19. See, G. Argeitis, M. Nicolaidi, “Economic crisis and production restructuring in Greece: the role of the manufacturing industry. INE/GSEE, 2014

production structure, and the developing of the world of employment as a central factor in all that concerns production choices, the operation of production and services provision units, and the planning of regional or national schemes. There can be no restructuring without upheavals on these levels, without this meaning that there is to be no relationship with the past. The neo-liberal choices of the last decades and the recent austerity policies have left Greece without any prospect save that of vegetating on the ruins.

When priorities are determined in the framework of a plan, this means that three parallel processes are combined: possibilities are assessed, needs which have to be addressed are met and goals are selected. The implementation of these processes must be the object of two combined activities as well: on the one hand the scientific processing of possibilities, needs and goals, and on the other the political selection of eventual aims by means of the operation of the appropriate democratic institutions. But it must be stressed that the combination of these activities sets up a collective learning process which can strengthen and render more effective the operation of the democratic institutions.

The starting point for this process is the definition at a regional level of the needs, in the wider sense, which concern employment, the provision of social services, infrastructures and production so as to result in an increase in employment, a meeting of social needs and the achievement of an equilibrium in economic relations with the rest of the country and the world. The combination of these needs with possibilities existing in each region, and with the central interventions in matters concerned with the regional economy, is the object of the planning, which represents a new procedure when the social structures and the productive fabric are in a state similar to that in the Greece of today.

The planning is not the conscription of a scientific team which will give directions and instructions to the local population but is, on the contrary, the mobilisation of such a team as will exploit the knowledge and experiences which are concentrated in the region so that an inventory can be compiled and new options – necessarily radical ones – can be proposed. It is natural, after a catastrophic course taken by the economy and social institutions, for it to be necessary to define new goals and to determine fresh structural characteristics in the economic and social sector. The idea that the structural

and social issues will be dealt with as things progress, by means of the “re-launch of the economy;” and all the more so by means of the neo-liberal “reforms;” is a policy choice which ignores the need to confront these issues.

### 4.3. The planning of the distribution of resources

Since the Greek economy will, in various ways, be confronted with the need to exploit additional public resources – and obviously the planned resources of the N[atational] S[trategic] R[eferencing] F[ramework] – in a different way, there will necessarily be important choices, the content of which will have to be formulated and explained. Both the general choices which concern distribution of available resources, public investments or funding of private or social business activities, and more specific choices at the level of NSRF enterprise programmes, or even an integral development loan, require the formulation of new plans. Certainly not the taking of decisions without a uniform logic and then notification of the decision. For it needs to be approved on many different levels by representatives of the community.

Since we do not accept the deepening of a business-centred development dynamic which will bring as yet unknown structural (production, social and environmental) results in the more distant future, forms of planning are indispensable on both a regional and local level as well as at national level. In order of priority, we have to stress that the planning of environmental expenditure, and in particular the costs and policy measures which concern the mitigation and confrontation of climate change, is a need which emerges from accepted assessments, independently of other developments. The strategy for investments in energy must be included in this logic. For the whole country, but for the regions as well, the question of social expenditure, in respect of which various interpretations clearly exist, is connected with choices which are, in turn, connected with others about costs and income, but are based on policy decisions rather than economic dynamics. This means that in a time of scarce resources like the present, the resources which will be devoted to industry, chiefly in the form of grants, or as public investments, will have to be included in a dynamic which favours intensive labour and inward-looking, rather than priority being given to extroversion and exports of high technology products.

After the long march of reduction of production capacity and the recent collapse in production due to the austerity policies, available land and capital exist (in the form of buildings and equipment for production) which can be exploited for the purpose of creating employment opportunities and meeting production needs. The revitalisation of the agricultural economy and, consequently, of the production and manufacture of foodstuffs, does not only concern the production of branded exportable products, but also of common good quality products which are essential for feeding the population. An approach of this sort, once the policy framework for it to be put into practice has been formulated, has the potential to significantly accelerate the increase in employment. The same thing can happen with the reactivation of abandoned factories, but also with the creation of demand in the construction sector for building materials and especially for insulation materials. The exploitation of the unutilised potential does, of course, require certain financial resources, but it also requires the engagement of local communities for the purpose of capturing this labour potential and its participation in the planning for its use.

As for the funding of economic activity, there is worldwide growth in the use of complementary currencies locally and in relatively large regions. The advantage of these complementary currencies lies in the fact that a potential is created locally for production and exchange at this level of goods and services. Independently of whether there are channels of communication with national and supranational monetary systems, the complementary systems represent tools aimed at “localisation” of production and economic activity, and in this sense they serve not only to meet needs and increase employment at a local level, but also to mitigate appreciably the burden on the environment from many aspects. Not just in the reduction of fuel consumption for transport purposes, but – since these currencies are products of strong social capital bases – they contribute decisively to the strengthening of care for natural resources at a local and regional level.

#### **4.4. On a fresh institutional framework for industrial policy**

Industrial policy, the entirety of the institutional operations and policy decisions which affect industrial production at the level of the national or regional economies of a country, has, in one way or another, as its objective a combination of the expansion and

sustainability of certain activities. This objective is served as a rule by means of changes, by the adoption of innovations which are concerned not only with the operation of the units of production themselves, but also with the functions of the institutions and methods of the policies being pursued. Industrial policy comes within a totality of economic and social processes which influence the developments and which must be borne in mind at the level of institutional and policy decisions. But industrial policy itself is involved in a series of issues: the market to which production is directed, whether it is unspecified and distant, or whether it too is created as a result of policy decisions. The characteristics of the products. The management methods employed on a business or networking level. The technology which is being used. The manpower which is bringing production to fruition.

Since this policy concerns itself with the sustainability and expansion of certain activities, this means that it is supporting changes on all those levels. In other words it means that it is contributing to the introduction of new knowledge and new practices relating to all of the above issues. This finding is at the basis of the view of the central role of innovation, except that the prevailing view on this matter (as in the Business Programme, Competitiveness, Entrepreneurship, Innovation, 2014-2020) dramatically restricts the debate – and the effectiveness of the policy – when the assessment is that the new knowledge which is necessary can only be produced to satisfy the demands of the owners or the administrators of the businesses themselves (or to offer them new possibilities when they can exploit them). This business-centred approach to innovation, now in the form of emphasising “smart specialisation,” ignores the other factors, and therefore the other policies, which in all instances of successful models have been proved to be effective. In these models, the emphasis on the businesses being profitable coexisted with independent policies in relation to the market, the infrastructure, research or the workforce, but also with institutional operations which permitted their combination with objectives over and beyond the sustainability of individual businesses.

The Ford model (of the period after the 2nd World War) which did not confine itself to a simple form of Keynesianism in respect of the re-launching of the economy, included the social objectives of employment, social services, training and research along with institutional functions for negotiation between social classes and the taking of decisions

on strategic issues on a national or regional level. The fact that these characteristics permitted the survival and development of capitalism does not detract from the fact that the hegemonic reproduction of this system remained strong thanks to types of collective decision making and a broad range of social alliances.

The international experience of “clusters”, which has been the subject of many studies, shows that the driving forces behind successful cases are the aspirations and the needs of the businesses, but also the need to find employment for a workforce with specific knowledge, experience and potential to learn, the possibilities of co-operation between businesses with existing equipment and potential to develop, the possibilities of universities and research centres developing suitable research programmes and training programmes. The setting up of the clusters and their development was and is a collective process, where decisions which concern a geographical and production entity are taken in ways which are formally institutional, and by means of informal but permanent procedures for the exploitation of an already formed social capital. From the viewpoint of the transmission and development of knowledge, a definitive role is played by the implicit professional and social processes, in combination, of course, with the transmission of written knowledge relating to product development, technology and the specialist knowledge and skills of the workforce. The experience of the clusters can be turned to advantage for pursuing an industrial policy in the case of reconstructing production, as an experience where all the economic indicators and all the factors jointly follow a positive course.

The historic failure of the “Greek model” which led, thanks to the neo-liberal handling of it, to the deep crisis of recent years, and the successive failures of the austerity policies and the policy of internal devaluation, should have led to the ridiculing of the idea that entrepreneurship – with or without the influx of “innovations” – can breathe new life into the economy. The successful experiences from a production and social point of view of the past show that there are many aspects to development and industrial policy; that these aspects have to co-operate and be co-ordinated; and that in order for this to happen there have to be bodies which can take collective decisions. Without the processes of collective negotiation and co-administration on the model of Ford capitalism, and without the combination of formal and informal forms of local co-operation in the cases of clusters, with a capitalist order which has neither cohesion nor

plan, and with accelerating environmental destruction, institutional innovations which will establish co-operation and the collective approach are needed. The only way is that of planning, on a local and national level, with the collaboration of university and research foundations; the creation of decision-making bodies concerned with the scope and the means of production and social reconstruction, where the social forces and social movements will be represented; the creation of support structures for business and social initiatives; and implementation of the plan which has been decided upon. Industry has to constitute part of a plan of this sort, but the plan cannot be concerned only with industry.



## Chapter 5: Conclusion

In the introduction we set out the central aim of this paper which can be summarised as follows: a) pointing out that it was the model of the unequal and debt-based development in the framework of the European division of labour that was responsible for creating the conditions for the de-industrialisation of the Greek economy and b) highlighting the need for a transition from the neo-liberal business-centred model to the sustainable model of restructuring the economy and society, using the basic tools of planning the technological and production restructuring and creating the new institutional framework of the functions and decisions of industrial policy. It has been our view that in order to achieve this goal there is a need, methodologically, to define both the position and the role of industry in the Greek economy over the period between 1990 and 2014, that is to say prior to and during the period of the economic crisis and recession. In addition, we also considered it to be necessary for there to be a methodological transition from the analysis of the facts to the processing and formulation of the alternative strategy of the restructuring of production and the basic issues of industrial policy. To be more specific, the following four essential conclusions were reached in this study:

- The contraction of the Greek economy, its one-sided orientation towards tourism and services and the process of its de-industrialisation has not been halted by implementing the policies of interior devaluation, imposed from 2010 onwards. On the contrary, the state of the Greek economy and society over the period between 2010 and 2014 deteriorated seriously in all sectors of the economy and social activity, which came to acquire, in fact, the characteristics of under-development.
- The current policies – of neo-liberal inspiration – of interior devaluation in Greece have served to tear apart the bonds of the real economy and public policies, transforming the institutions of collectivism into institutions of individuality (e.g. individuality in the production of public goods and services) at the same time as promoting a strategy of choosing the business-oriented model for the organisation of the economy and society.

- For productivity, the answer for the Greek economy is not its conversion from an economy of supply (the neoclassical concept) – which, with the programme of “internal devaluation”, has succeeded in inflicting recession, unemployment and poverty on the Greek population – to an economy of demand (the Keynesian concept). On the contrary, what is required for productivity is the planning and establishment of a society-oriented model of sustainable restructuring with coherent branch, sectoral and regional priorities.
- The Greek economy will not be able to distance itself in the coming years – either from a production, a technology or a social point of view – from the current downturn, the high level of unemployment and the impoverishment of its population, without the establishment of the society-oriented model where the driving force is a restructuring of production, industry and society which is shown to be the only condition which is capable and necessary in order to achieve this alternative strategic goal.

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