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# Social Cohesion and Development

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Spring 2013, volume 8, issue 1

FOCUS *The Greek crisis*

ΘΕΜΑ *Η ελληνική κρίση*

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## ΚΟΙΝΩΝΙΚΗ ΣΥΝΟΧΗ ΚΑΙ ΑΝΑΠΤΥΞΗ

Εξαμηνιαία Επιστημονική Επιθεώρηση

## SOCIAL COHESION AND DEVELOPMENT

Biannual Scientific Review

**ΣΚΟΠΟΣ.** Η Κοινωνική Συνοχή και Ανάπτυξη (ΚΣΑ) είναι μια εξαμηνιαία επιστημονική επιθεώρηση για την έρευνα και συζήτηση θεμάτων κοινωνικής πολιτικής, συνοχής και ανάπτυξης. Σκοπός της είναι η καλύτερη κατανόηση του ρόλου της κοινωνικής συνοχής στη σύγχρονη ανάπτυξη και προώθηση της κοινωνικής δικαιοσύνης στο εσωτερικό και μεταξύ των εθνών. Τα άρθρα που δημοσιεύονται καλύπτουν τα πεδία της ανάλυσης, του σχεδιασμού, της εφαρμογής των πολιτικών, της αξιολόγησης των αποτελεσμάτων τους, της συγκριτικής έρευνας, της ανάλυσης του ρόλου των διεθνών οργανισμών, των εθελοντικών, κοινωνικών, ιδιωτικών και τοπικών φορέων στην κοινωνική ανάπτυξη και πολιτική. Ειδικότερα, η Επιθεώρηση φιλοξενεί άρθρα που αναπροσωπεύουν ευρύ φάσμα γνωστικών πεδίων, όπως εργασιακές σχέσεις και απασχόληση, φτώχεια και κοινωνικός αποκλεισμός, συντάξεις και κοινωνική ασφάλιση, υγεία και κοινωνική φροντίδα, εκπαίδευση και κατάρτιση, πολιτικές για το παιδί, την οικογένεια και τα φύλα, μετανάστευση, εγκληματικότητα, εταιρική κοινωνική ευθύνη, καθώς και δραστηριότητες του τρίτου τομέα και της κοινωνίας πολιτών. Η Επιθεώρηση φιλοξενεί επιστημονικά άρθρα, βιβλιοκριτικές και βιβλιοπαρουσιάσεις, σύντομες εκθέσεις ερευνητικών προγραμμάτων, είτε στα ελληνικά είτε στα αγγλικά. Ενθαρρύνει τη διεπιστημονική, συγκριτική και ιστορική προσέγγιση.

**AIMS AND SCOPE.** Social Cohesion and Development (SCD) is a biannual interdisciplinary scientific journal for research and debate on social policy, social cohesion and social development issues. It aims to advance the understanding of social cohesion in the contemporary development and to promote social justice within and between the nations. Articles are covering policy analyses, developments and designs, evaluations of policy outcomes, comparative research, analyses of the role of international organizations, the voluntary, private and local agents in social development and policy. The journal provides comprehensive coverage of a wide range of social policy and development issues, such as labour market and employment policies, poverty and social exclusion, ageing, pensions and social security, health and social care, education and training, family, gender and child policies, migration, crime and corporate responsibility, as well as civil society and third sector activities. The Review welcomes scholarly articles, book reviews and short research reports, in Greek or English. It encourages a multidisciplinary, comparative and historical approach.

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# The 'new golden age of accumulation', the new depression and the Greek economy<sup>1</sup>

Lefteris Tsoulfidis, *University of Macedonia*

## Η “νέα χρυσή εποχή της συσσώρευσης”, η νέα ύφεση και η ελληνική οικονομία

Λευτέρης Τσουλφίδης, *Πανεπιστήμιο Μακεδονίας*

### ABSTRACT

The purpose of this paper is to delve into the deeper causes of the current crisis and its detailed manifestation in the case of the Greek economy. The major argument of the paper is that the root cause of the crisis is fundamentally identified in the declining profitability which past a point leads to a stagnant mass of real net profits thereby discouraging investment spending and leading to rising unemployment. In the case of the Greek economy, this crisis of profitability has been aggravated by the contraction of its major productive activities, that is, manufacturing and agriculture. The contraction of these activities not only worsened the crisis but furthermore paved the way for the development of different forms of its expression; that is, mounting debt and unprecedented high rates of unemployment bringing the whole society into a stalemate.

**JEL Classifications:** B5; E1, O51

**KEY WORDS:** Falling rate of profit, unproductive activities, non-tradables, crisis, debt, Greek economy

### ΠΕΡΙΛΗΨΗ

Στόχος του άρθρου είναι να ερευνήσει διεξοδικά τις βαθύτερες αιτίες της τρέχουσας κρίσης και της λεπτομερούς εκδήλωσής της στην περίπτωση της ελληνικής οικονομίας. Το σημαντικότερο επιχείρημα του άρθρου είναι ότι η πρωταρχική αιτία της κρίσης εντοπίζεται στην πτωτική τάση του ποσοστού κέρδους που από ένα σημείο και μετά οδηγεί σε στασιμότητα και εν τέλει πτώση στη μάζα των πραγματικών καθαρών κερδών που με τη σειρά τους αποθαρρύνουν τις επενδύσεις και οδηγούν σε αυξανόμενη ανεργία. Στην περίπτωση της ελληνικής οικονομίας, αυτή η κρίση της κερδοφορίας έχει επιδεινωθεί από τη συστολή των σημαντικών παραγωγικών δραστηριοτήτων της, ιδίως τη βιομηχανία και τη γεωργία. Η συστολή αυτών των δραστηριοτήτων όχι μόνο επιδείνωσε την κρίση αλλά επιπλέον προετοίμασε το έδαφος για την ανάπτυξη των διαφορετικών μορφών έκφρασής της, δηλαδή στη διόγκωση του χρέους και σε πρωτοφανή υψηλά ποσοστά ανεργίας που φέρνουν ολόκληρη την κοινωνία σε ένα αδιέξοδο.

**ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ:** Πτωτική τάση κέρδους, μη παραγωγικές δραστηριότητες, μη εμπορεύσιμα αγαθά, κρίση, χρέος, ελληνική οικονομία

## 1. Introduction

The main argument of this paper is that the growth or stagnation of an economy is conditioned on the evolution of profitability, that is, the capacity of an economy to create enough profits on its invested capital. If this ratio is in its upward trend then it follows that investment is encouraged and so capital stock is built up creating new employment positions. During this time period an

of optimism makes people think that “this time is different” in the sense that the current conditions that give rise to economic growth will be lasting for far too long, if not forever. If on the other hand, profitability is falling, as a result of a combination of factors, but mainly because of mechanization as this is reflected in the rising capital-labor (output) ratio, then the profits created by any new investment in the long run (approximately, two decades) reach a tipping point, where the marginal profits (*i.e.* the change in profits caused by a change in investment) become zero, thereby discouraging the investment motive and marking the onset of the stagnation phase, which lasts until the conditions of rising profitability are restored, once again. The necessary requirement for the later is lower wages and interest rates and above all devaluation of capital stock, which is by far the most important and, at the same time, sustainable factor that may give rise to a new wave of economic growth.

In this juncture, it is important to distinguish between two kinds of capital devaluation; the first, may take place in the stock market, having a short run effect, and therefore by no means guarantees any substantial and lasting changes in the economic predicament; the second kind of capital devaluation is associated with clustered innovations which reduce the value of existing means of production and which form the most important prerequisite for the restoration of profitability on a sustainable basis while at the same time marking the onset of the rising phase of a long cycle.<sup>2</sup> It goes without saying that there might be policies towards an encouragement of innovations, but these take a long time to work themselves out and for this reason this kind of effective devaluation is left, by and large, to the operation of spontaneous market forces.

Our data show that the Greek economy experienced all of these phases and now is going through its worst depression ever. This does not mean that all countries experience the phase-change in the same way and at the exact same time period, but rather each country has its own unique experience, which is conditioned upon the existing institutional setup and the concrete policy measures pursued by governments. Thus although rising or falling profitability is the *causa causans* of all the hitherto phases in capital accumulation the phenomena that will be experienced in each country will depend on this country's specificities. Thus each phase of the accumulation process leaves its own imprint which differs across countries.

The remainder of the article is structured as follows: Section 2 deals with the phase changes and the intellectual milieu that they create by contrasting the ‘mixed economy’ of the 1960s and the ‘new economy’ of the 1990s; Section 3 discusses the construction of the fundamental variables that shaped the evolution of profitability in the Greek economy paying particular attention to the significance of the distinction between productive and non-productive activities. Section 4 refers to the mechanics of falling profitability which, sooner or later, leads to the stagnation of the mass of real net profits associated with the crisis stage of the economy and examines the extent to which the available data of the Greek economy support such a view. Section 5 discusses and critically evaluates the particular conditions of the Greek economy and the concrete manifestation of crisis. Finally, Section 6 makes some concluding observations.

## 2. From the old “golden age of accumulation” to the “new” and back to depression

**T**he decade of 1990s has a lot in common with that of 1960s, if not of 1920s. All these decades are characterized by a climate of euphoria that led to the (incorrect) idea that business cycles, at least the severe ones, were phenomena of the past, when the market forces were out of control.

In the 1960s for example, the argument was that the economy is under the control of government, which with the appropriate mix of fiscal and monetary policies could smooth out the business cycle ensuring perpetual growth. In fact, the questions that occupied the attention of economists in the late 1960s were the optimum combination of fiscal and monetary policies to achieve the desired goal of vigorous economic growth with minimum unemployment. This euphoric atmosphere had affected even radical Keynesian economists, such as for example Martin Bronfrenbrenner (1969) who in his influential book "Is the Business Cycle Obsolete?" argued that the coordination between government and business created the so-called "mixed economy", which combines the desired features of the market with those of the planned economy. Thus, market and government together can shield the economy from significant, at least, downturns in the level of economic activity. This idea of successful government intervention seems to have been tested in the case of the U.S. recession in 1962, when Kennedy's council of economic advisors proposed income tax cuts in the effort to stimulate the economy through the additional consumption demand. Indeed, the application of this policy in the U.S. economy led economic growth back to its trend rate and, at the same time, strengthened the view that economists know enough about the way in which the economy actually works and thus, with the right mix of policies, they can restore it back to its long term growth path.

The stagflation that set in the late-1960s meant to stay until the early-1980s casting doubt on the purported abilities of government to manage the economy. In effect, stagflation was the testing terrain for the major macroeconomic approaches starting from the Keynesians of the Neoclassical Synthesis, and continuing with the Monetarists and the New Classical macroeconomists. It is interesting to note that during this period of stagnation the unemployment rate was kept relatively low, whereas inflation was present with rising or falling rates, but in no case was there any deflation as in previous long depressions of pre-World War II capitalism. The slowdown in the economic activity increased unemployment which exceeded the 10 percent borderline during 1982 in the USA, whereas in European countries, with the exception of Spain, unemployment was much lower. In Greece, the problem was the double-digit inflation since unemployment in the 1970s ranged between two to three percent, whereas in the mid-1980s it increased to five or six percent, percentages which by today's standards are considered almost equivalent to full employment. The lasting slowdown of economic activity coupled with the relatively low unemployment rates led some economists to the characterization of the period of late-1960s to early-1980s as 'silent depression'. Neoliberal economists on the other hand attributed the stagflation period to the Keynesian policies that led to big government and to intervention policies that prevented the free operation of market forces. The anti-government rhetoric was followed, in a number of countries, by privatizations, the dismantling of welfare state and the deregulation of money markets, which also led to a reduction or, at best, a stagnation of real wages, and therefore to the restoration of profitability.

It has been argued, time and again, that the strong economic growth characterizing most OECD economies in the decade of the 1990s persisted precisely because it stemmed from the willingness of the corporate world to undertake innovative and, therefore, risky investment projects. These developments have been facilitated by the downfall of the centrally planned economies; the high unemployment rates and the idea of flexibility in employment led to greater work effort and raised productivity. In addition, the reorganization of the corporate economy through downsizing and mergers gave rise to substantial increases in profitability. Naturally, these processes could not be contained within national borders and have taken on global proportions; for example, innovative investment depends, a great deal, on open international markets, since national markets do not provide big enough payoffs for taking high risks anymore.

Many authors have found striking similarities between the post-1990s period with that of the first post-war decades, and therefore rightfully characterized the 1990s as “new golden age of accumulation” (Zarnowitz, 2000; Poterba, 2000). During this time period there has been a similar euphoric atmosphere as this can be judged from discussions about the so-called “new economy” of the 1990s, which —according to its proponents— displays features that appear quite similar to those of the “mixed economy” of the 1950s and the 1960s. The salient difference between the “new economy” and the “mixed economy” is that the latter was considered to be depressions proof because of the government’s stabilization policies. In contrast, the proponents of the “new economy” claimed that the market itself has created internal defense mechanisms for the conversion of otherwise deep and lasting business fluctuations to shallow and short-run ones. Hence, the idea of the “great moderation”, that is, the smoother evolution of the GDP as this is captured by the standard deviation of its growth rate. In effect, the standard deviation of the growth of the real GDP in the US economy was rising from the mid-1960s up until the mid-1980s and then dropped abruptly and stabilized at a much lower level up until the recession that started in 2007 and then increased sharply (Abel *et al.*, 2012, pp. 280-283).

The following quotation from an often-cited article entitled “The End of the Business Cycle” characterizes the whole literature and really echoes the sentiments of the decade of the 1960s! In this article we read: “Business cycles have come to be taken as a fact of life. However, modern economies operate differently than nineteenth-century and early twentieth century industrial economies. Changes in technology, ideology, employment, and finance, along with globalization of production and consumption, have reduced the volatility of economic activity in the industrialized world. For both empirical and theoretical reasons, in advanced industrial economies the waves of the business cycles are becoming more like ripples” (Weber, 1997, p. 65). But also major economists such as for example Robert Lucas in his presidential address in 2003 to the American Economic Association categorically declared that the “central problem of depression prevention has been solved.”

### 3. The Greek economy and the first crisis of the new millennium

**I**n this section, we present estimates of the basic macroeconomic variables of the Greek economy following the classical approach rooted in the distinction between productive and unproductive labor, and we show the differences of classical categories from the corresponding mainstream ones. In the latter, all remunerative labor regardless of its employment is treated as if it were productive. We call these variables ‘basic’, because they form the constituent components of the profit rate, whose evolution determines the ‘general health’ and ‘vitality’ of the system and characterizes the stage of accumulation as expanding or contracting. Following the literature (Shaikh and Tonak, 1994; Paitaridis and Tsoulfidis, 2012, *inter alia*), we present the evolution of fundamental variables of the Greek economy for the period 1960-2013.<sup>3</sup> For the years prior to 1970, due to lack of detailed data, the analysis is restricted to the evolution of only a few variables on the basis of which we speculate about the phase of the economic activity. In fact, only for the period 1970-2007, do we have detailed data mainly from KLEMS and also from domestic sources.<sup>4</sup> Despite the lack of detailed data series for the period prior to 1970, we feel that our analysis is carried out for a time period sufficiently long to observe the evolution of key macroeconomic variables that help to identify the phase-changes of the Greek economy.

We start our analysis by presenting the capital-labor ratio (capital stock at constant prices to labor employed in production,  $K/L_p$ ) which displays an upward trend (Figure 1).<sup>5</sup> This rising trend lends support to the argument according to which the increasing mechanization of the production process is built in the system motivated by profit. Under these circumstances, businesses are bound to invest in physical capital in their incessant efforts to adopt new technologies, increase the division of labor and its productivity as necessary conditions to reduce unit production cost and, eventually, the selling price of commodities in the effort to expand their market share at the expense of their competitors. Figure 1 below displays the classical, that is, the non-conventional capital-labor ratio whose data availability allows its estimation only for the period 1970-2007, while the conventional capital-labor ratio is much easier to compute from the available national income account data spanning the period 1960-2013. Between the two ratios, the conventional one includes in the denominator all labor regardless of its characterization as unproductive ( $K/L$ ); while the non-conventional or classical measure in the denominator includes only the number of productive workers ( $K/L_p$ ), whose estimation requires detailed data, which are available, in a consistent way, only for the period 1970 to 2007. Given that the classical measurement of productivity is restricted to the number of productive workers, whereas the conventional measure of productivity makes no subtle distinctions and treats all workers alike, it follows that as the number of non-productive workers increases, the conventional or Orthodox National Accounts (ONA) measure of capital-labor ratio will tend to decrease, while the corresponding Classical National Accounts (CNA) estimate of the capital-labor ratio will tend to increase. Consequently, the two measures of productivity will be drifting further away from each other with the passage of time. More specifically, the average annual growth rate of the capital labor ratio of CNA is 3.65%, whereas for the same time period the ONA ratio increased at an average annual growth rate of only 2.53%. It is worth pointing out that an annual difference of 1.12% in the growth rates of such variables, as they operate accumulatively, leads to substantial deviations in their long-run evolution.

Figure 1 The capital-labor ratio

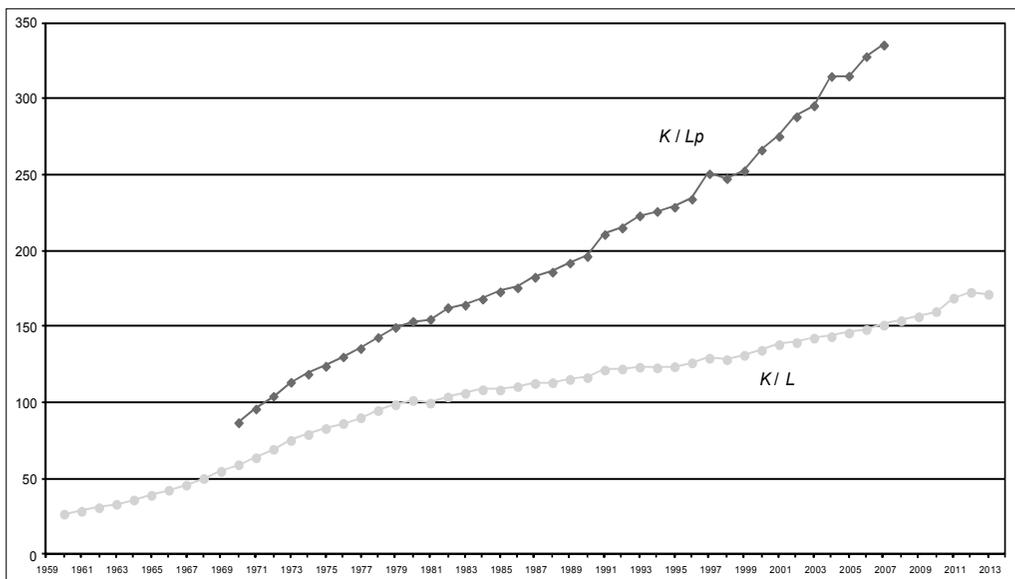
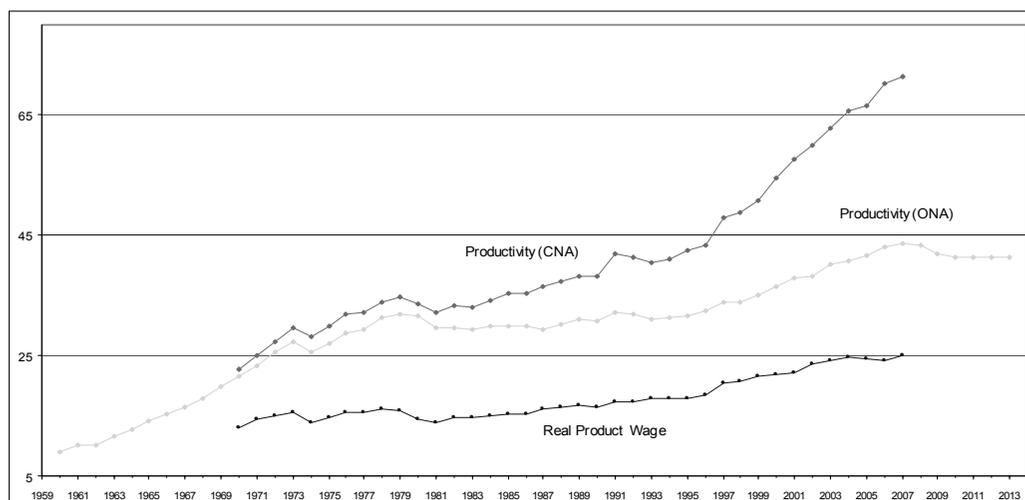


Figure 2 below contrasts the evolution of productivity according to the two estimating methods of national accounts. Notwithstanding the rising trend in labor productivity in both estimates, the CNA productivity grows at a rate of 3.08%, while its ONA counterpart grows at a rate of only 1.89%. The difference between the two measures stems from the measurement of the value added in the numerator and the employment in the denominator. More specifically, the value added in the CNA includes the value added of all productive sectors of the economy, the royalties (taxes, rents, interests, etc.) paid by the productive sectors to the royalty sectors of the economy (financial institutions, non-productive services and government), and the gross 'output' of the wholesale and retail trade, finance and real estate sectors.<sup>6</sup> That is, in our estimates of the CNA, we exclude the household expenditures on household services and government expenditure, *i.e.* expenditure on public administration, defense and other non-production government services for avoiding the problem of double counting.<sup>7</sup> However, in our estimation of value added, we include the productive government services, *i.e.*, transport, communications and public utilities as there are production activities in these sectors of the economy which are marketed. It is important to note that in the estimation of the classical value added, we also include output which has been produced but not counted in the orthodox estimate of GDP, such as intermediate inputs and depreciation of the non productive activities of wholesale and retail trade, finance and real estate. Also, the measurement of productivity in the CNA in the denominator includes only productive labor, while in the ONA all employment is treated as if it were productive. The evolution of the two measures of productivity is displayed in Figure 2 below:

**Figure 2. Labor productivity and real wages**

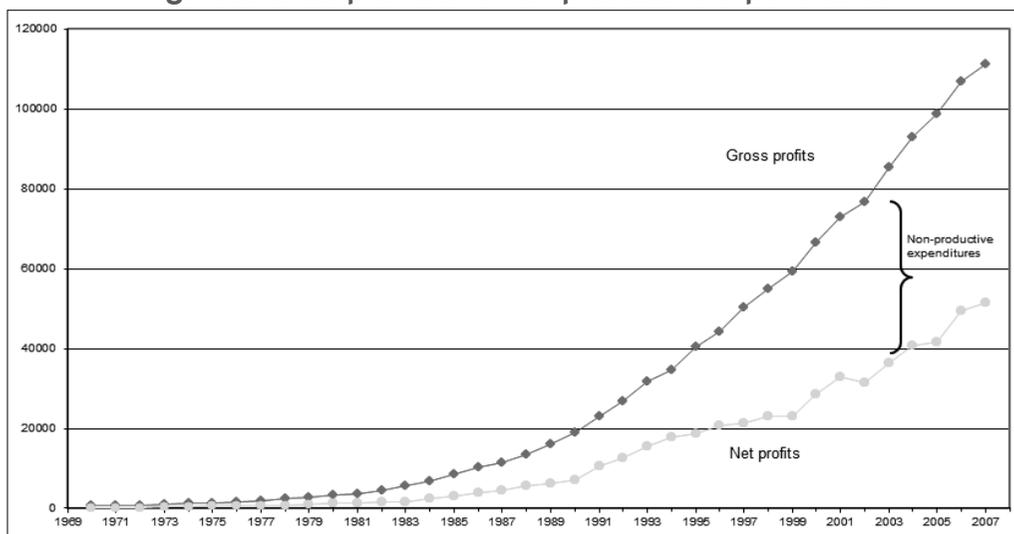


In the same figure, we display the labor cost as the average wage of productive workers deflated by the wholesale price index; in other words, we estimate the product wage, that is, the labor cost from the perspective of business and not necessarily of the worker.<sup>8</sup> We observe that the real wage increases at an average annual growth rate of only 1.77%. It is worth noting that the expansion of non-productive activities is possible only if the productivity of labor is increasing at a rate high enough to compensate for the expansion of unproductive activities. In other words, an economy must generate enough surplus to allow for an ever-increasing support of growing

unproductive activities. However, at the same time, there must be enough surplus invested productively, so that the system will be able to maintain at least its productive capacity.

Figure 3 below shows the evolution of the total gross profits (surplus value, or simply surplus), whose most crucial component is net profits. Net profits indicate the portion of surplus which is available to finance investment in the productive sectors of the economy and eventually increase the growth potential of the economy. The total gross profits (or surplus) comprise the intermediate inputs and depreciation of the non-productive sectors of the economy, the wages of non-productive sectors, the wages of non production workers of the production sectors as well as taxes, interests, rents and other payments made to the royalty sectors (finance and real estate, as well as government services) of the economy. As this component of the surplus expands, less remains to be invested productively, and therefore, the growth potential of the economy is weakened. From Figure 3, we see a sustained growth and an expansion of non-productive expenditure of the Greek economy during the period 1970-2007. The net profits are estimated using data from the AMECO database spanning a long time period of the Greek economy.

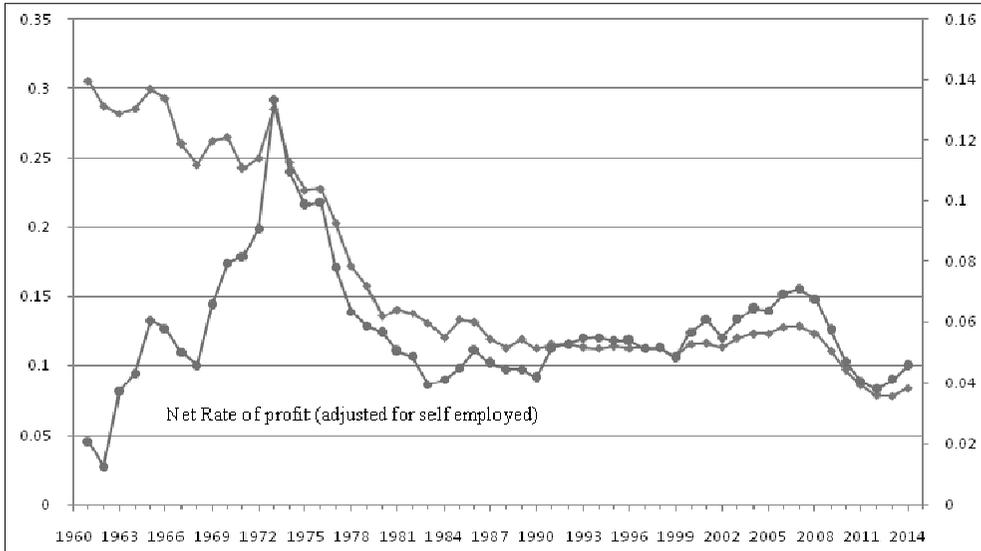
**Figure 3. Gross profits and non-productive expenditures**



For the estimation of the rate of profit (Figure 4) in the numerator, we used the net operating surplus after deducting all taxes and in the denominator we used the net capital stock, lagged by one period, and expressed in current prices through the investment price index (details for the estimation of this variable see Tsaliki and Tsoulfidis, 2013). It is important to note at this juncture that the estimation of the net rate of profit adjusted for the imputed wages of the self employed population, measured on the right-hand side axis of Figure 4, gives a rather distorted picture of the actual movement of profitability especially in the 1960s. The idea is that the agricultural population was large in the 1960s and self-employment in this sector extensive and excessive. There is no doubt that by assigning a wage to the members of an agricultural household which is equal to the average wage of the economy is not a fully satisfactory solution in an economy with a large agricultural sector, where self employment is widespread. Thus, the two rates of profit (i.e., the adjusted for self employment net rate of profit measured on the right-hand side axis and the

unadjusted for self employment one measured on the left-hand side axis of Figure 4) before the 1970s, when agricultural population is large, display different patterns, while after the 1970s, as agricultural population declines, the trends of the two rates of profit are quite similar.

**Figure 4. The profit rate in the Greek economy, 1960 - 2013**



In the evolution of the net profit rate, we can identify the various phases that the Greek economy went through. In the 1960s and perhaps till the early 1970s the profit rate is at a high level with a mildly falling trend and this pattern is associated with a period of high growth rates of the Greek economy and low (by today's standards) unemployment rates indicating that Greece has also experienced a golden age of accumulation. Next, we have a falling rate of profit in a protracted period of time covering the decades of 1970s and in the 1980s indicating the period of the silent depression. The net profit rate picks up again in the 1990s up until the last years of the first decade of the new millennium. It is interesting to note that whatever happens to the tendency of the rate of profit, what is certain is that its level in recent decades is substantially lower than that of the 1960s or early 1970s. This means that the recovery in the post-1990 years did not have the dynamism that characterized the pre-1973 years. This phenomenon of a slow increase in the profit rate is not a local (restricted to Greece) phenomenon, but rather an international stylized fact characterizing the growth path of most economies, as it has been shown for the U.S. economy (Paitaridis and Tsoulfidis 2012) and for a number of countries by Basu and Vasudevan (2013).

## 4. The mechanics of profitability and phase-change

**A** falling rate of profit, in and of itself, does not lead to an economic crisis. In fact it is possible that a decline in the rate of profit might be accompanied by high rates of economic growth, such as was the case in the pre-1973 years. The secular movement of the rate of profit and its association with the phase of the economy has attracted the attention of all the major economists

of the past (Smith, Ricardo, Marx, J. B. Clark and Keynes). Excluding the trivial case of a zero profit rate, which eliminates altogether the incentive for accumulation, there is general agreement that the desire for accumulation depends crucially on the movement of the rate of profit.

According to Marx, for instance, a falling or rising rate of profit in the short-run is consistent with any stage of the economy. If we restrict the analysis to the downward stage of the economy, the fall in the rate of profit *per se* does not lead to the economic crisis inasmuch as the profit rate, *ceteris paribus*, exceeds the long term rate of interest; hence there does not appear to be any particular reason for the slowdown in investment activity. In Keynes also investment activity is determined by the difference between the marginal efficiency of investment (*i.e.* Keynes's measure of expected net profitability) and the rate of interest. Consequently, the fall in the rate of profit is absolutely consistent with the increase in the mass of real net profits and also with strong economic growth.<sup>9</sup> However, only in Marx do we find a detailed explanation of the reason why a persistent fall in the rate of profit leads to economic crises. The systematic relationship between the profit rate, the mass of profits and the manifestation of crisis has been explicitly presented by Shaikh (1992) who showed in a formal model that the falling rate of profit leads to a stagnant mass of profits and to the crisis.<sup>10</sup> This relationship can be cast in simple terms; starting with the rate of profit  $r$  defined as the ratio of total net profits  $s$  to the stock of capital  $K$ , we get:

$$r = s / K \quad \text{or} \quad s = rK$$

By taking differences and dividing by  $\Delta K \neq 0$ , we obtain:

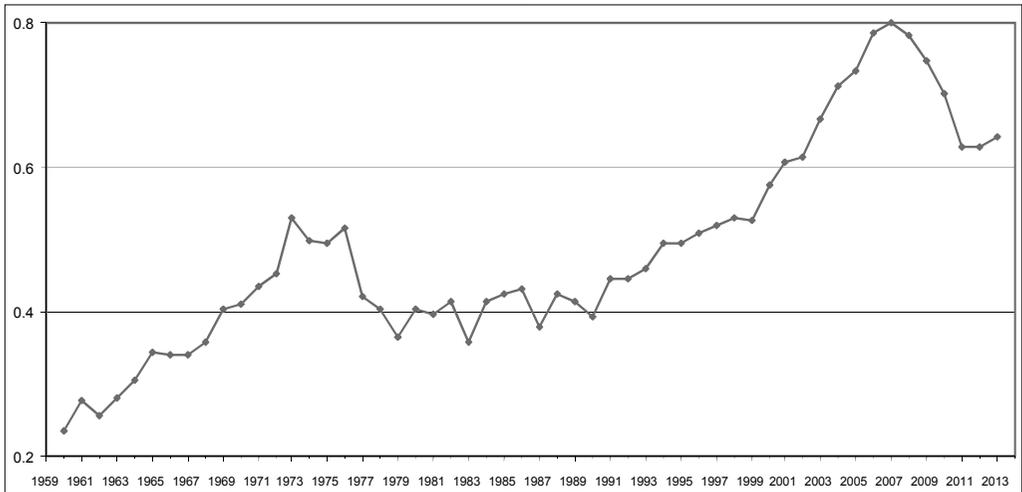
$$\frac{\Delta s}{\Delta K} = r + K \frac{\Delta r}{\Delta K}$$

By factoring out  $r$  the above can be rewritten:

$$\frac{\Delta s}{\Delta K} = r \left( 1 + \frac{\Delta r}{\Delta K} \frac{K}{r} \right)$$

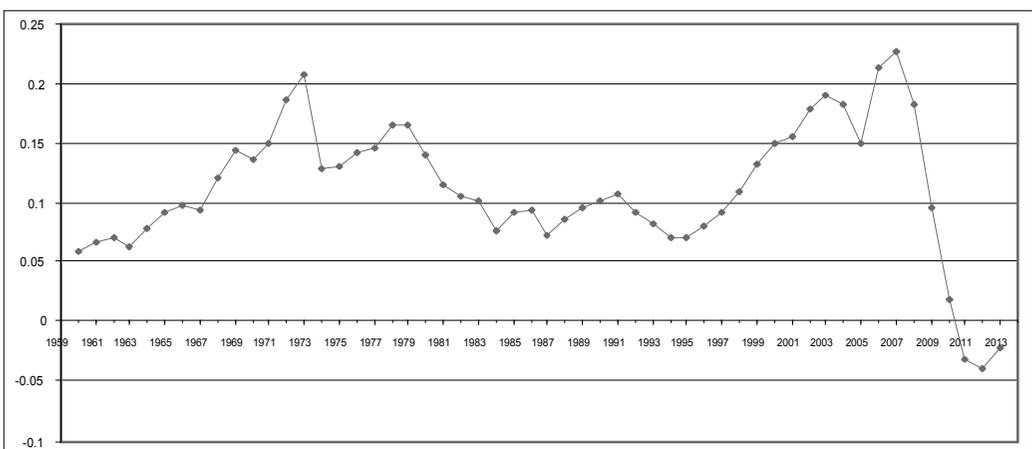
The term  $\Delta s / \Delta K$  indicates the way in which profits change in every change of capital stock or the change in profits for each unit of investment ( $I=\Delta K$ ). It is obvious that  $\Delta s / \Delta K$  is equal to zero or, what amounts to the same thing, the mass of profits stagnates, if and only if the elasticity of the rate of profit with respect to invested capital is equal to  $-1$ . This tipping point is obtained when the percentage change in capital stock ( $\Delta K/K$ ) is equal to the percentage change in the rate of profit ( $\Delta r/r$ ) in the opposite direction, a condition that requires a falling rate of profit. Figure 5 depicts the movement of the mass of real net profits where we can discern the distinct phases that the Greek economy passed through, which incidentally are not different from those of the other OECD countries.

**Figure 5 Net profits deflated by the investment price index**



We observe the stagnation of real net profits of the late-1960s or early-1970s which lasted until about the late-1980s. In fact the level of the mass of real net profits is similar to their level during the last years of the 1980s. The recovery of profits was slow but from 1987 onwards the rise in profits is strong enough. Certainly, the year 2007 is a threshold year. The increase in the mass of real net profits reaches a plateau-like shape before it starts its falling path which continues to the more recent years. Already this continued recession is the longest ever observed in OECD countries. Figure 6 shows the evolution of the net real investment in which one can identify the four distinct phases experienced by the Greek economy.

**Figure 6. Real net investment in the Greek economy, 1960-2013**

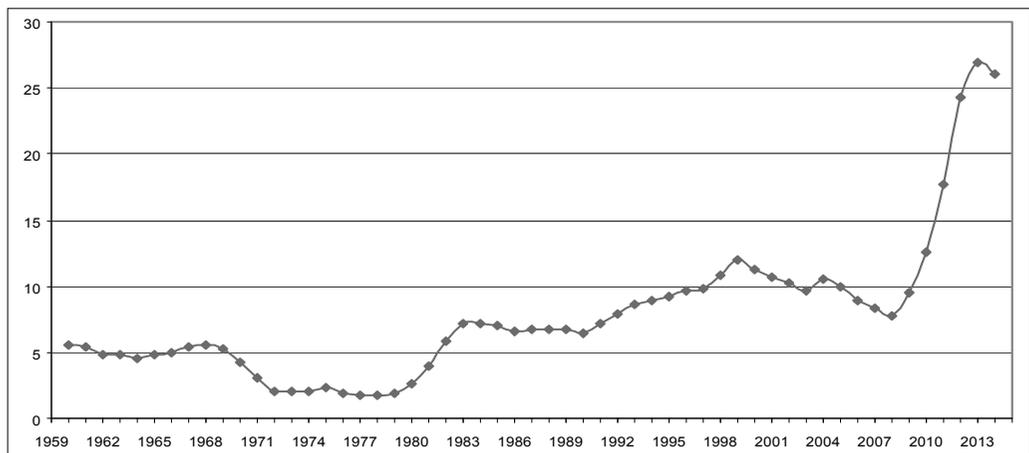


In particular, the boom period that lasted until the early 1970s was followed by the continued downturn in the 1980s, and then the new era characterized by high investment activity lasting up until about 2007, was followed by an unprecedented precipitation in investment which appears to have no end any time soon. It would be of great interest to investigate the composition of

this investment, that is, to what extent it was spending on equipment and on structures, and through this distinction to arrive at conclusions with respect to the sustainability of growth rates. The performance of the economy since the year 2007 shows that these growth rates were lacking sustainability, as there were not based on investment in equipment, that is to say in new technologies, but rather in structures indicating no or minimal technological change and also spending on infrastructure with mainly long run effects on the economy.

The expected outcome of negative net investment (after the year 2007) is the unprecedented increase of the unemployment rate (see Figure 7) which in 2012 was higher than that of Spain! While the years 2013 and 2014 are just dismal predictions.

**Figure 7. Unemployment in the Greek economy, 1960-2014<sup>11</sup>**



From Figure 7, we see that the unemployment rate remained relatively low until the late-1970s as a result of the high growth rates and the massive immigration that the country experienced during the first post-war decades. Since the early 1980s, however, and with the economy in a prolonged recession, unemployment began to rise, a trend which continued to the boom period that followed the 1990s. Most EU economies are characterized by relatively high unemployment rates, on average, during the 1990-2007 boom (Katrakilidis and Tsaliki, 2008, Alexiou and Tsaliki, 2009). We insist on this point, because during the post-war period in all Western economies, including Greece, the ideal was the full employment of labor which in those years was associated with zero or negligible unemployment. Because such a goal was not easy to achieve, the goal changed to a desired or natural rate of unemployment (*i.e.*, frictional plus structural unemployment) ranging between two to three percent.

Historically, the unemployment rates in Greece were particularly low because of emigration and also the presence of a big agricultural sector, where the potentially unemployed could be employed. For example, the unemployment rate which was below the two percent level before 1980, rose to double and triple levels in the post-1980 years and yet the unemployment rate in Greece was among the lowest in OECD countries. We cannot say the same thing though for the period of the "new golden age of accumulation: (or 'new economy' or 'dot com economy') where the rate of unemployment (over) quadrupled compared with that prior to 1980. In other words, during that period of economic boom, unemployment did not fall as much as those who regard the idea of employment as a kind of inalienable right, and in the same league as other natural rights, would have liked to.

## 5. The Greek economy in its worse depression

The preceding discussion reveals that the new golden era of accumulation starting in the late 1980s and lasting until about 2007 presents some common features with the previous golden era (1945-1970) of accumulation, such as increasing labor productivity, introduction of new technologies, and the like. It also presents significant differences, such as stagnation of real wages and expansion of unproductive activities that reduce the potential growth momentum of the economy. During this period, although the level of the net profit rate after the mid-1980s increased on average, still it remained at levels well below these of the profit rate of the post-war 'golden age of accumulation'. The net rate of profit, although very low compared to that of early 1960s, however, was sufficient to generate substantial increase in the mass of real net profits for two reasons: (a) the increase in total invested capital was such that it offset the fall of the net profit rate resulting thus in a much larger mass of real net profits and (b) monetary policy aimed at keeping interest rates low and in fact significantly lower than their levels in the 1960s and the 1970s. Therefore, the low interest rate coupled with the increase in productivity and slowly rising or even stagnant real wages contributed to the increase in the (net) rate of profit. At the same time, capital accumulation continued to be high, although not at the rate needed to create enough new jobs and reduce unemployment which remained at high levels.

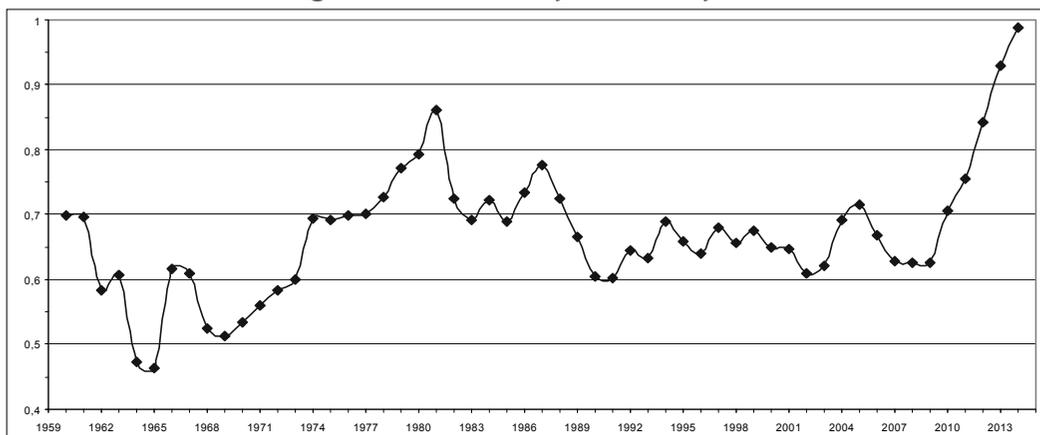
The above analysis shows that the 'new golden age of accumulation' and the associated with it 'new economy' that was supposed to be immune to (at least severe) cyclical fluctuations through the effective functioning of market forces was eventually inflicted by exactly the same 'disease' of the old 'golden age of accumulation' and the related with it mixed economy of the first post-war decades. Already in 2006 we observe the beginning of a sharp fall in the rate of profit (which was not at a high level to begin with) that has led the Greek economy to its deepest depression. The main features of this depression are the unsustainable debt, the unprecedented high unemployment rates, the formidable degradation of the workers and therefore the devaluation of the price of labor, but also the devaluation of the physical and financial assets of both the public and the private sector. All of the above, naturally, lead to increased social tensions and the *threatening of social stability and social cohesion*.

Notwithstanding that the falling rate of profit explains the crisis through the stagnation of real net profits on average for each unit of capital invested, and while such an explanation is general enough, and therefore suitable to (almost) all OECD economies, one should not overlook that the outbreak of the crisis has country-specific characteristics which are worth examining. In other words, every crisis displays characteristics depending on the concrete economic policies pursued before and during the crisis as well as the institutions in place and those under construction. Therefore, it would be wrong to attribute all problems exclusively to the operation of inexorable economic laws that led to the financial crisis as if everything was the outcome of an inevitable necessity. In contrast, the policies followed before and during the crisis worsened instead of moderating the effects of crisis.

How did the economy get into this predicament? The question is reasonable, and by early 2008 there was nothing to portend the depth and intensity of the coming crisis. It is true that many predicted the advent of recessionary years, but in no way did they anticipate negative net investment and such an unprecedented increase in unemployment.<sup>12</sup> It is interesting to note that even in 2009 the growth rates of the Greek economy were surprisingly high and the official predictions claimed sustainability of these growth rates. These predictions have spectacularly failed and negative growth

rates set in for a prolonged period of time, now in the seventh year! But let us take things from the beginning. The crisis has been particularly severe in Greece due to a series of policy measures which contributed to the weakening of the productive base of the economy and cherished unproductive activities which past a point could not be supported by the impaired production base of the economy. The structural weaknesses of the Greek economy were evident from the early post-war years. The fact is that the first post-war years, with the funds of the Marshall Plan, were dominated by the idea that economic growth is closely intertwined with the industrialization of the economy (see also Katrakilidis, *et al.*, 2013). Industrialization was a process that went on, albeit slowly, during the 1950s and 1960s. As a result, the competitiveness of the Greek economy was improving as this was expressed in the rising exports to imports ratio which reached its highest level in 1981 (see Figure 8). Clearly, this was the effect of industrial policies pursued in the first post-war decades, which, if continued unabated, then at least the trends showed slow improvement in the competitiveness and closing of the gap between exports and imports. However, the abandonment of this set of industrial policies and the lifting of protectionist measures as a precondition for Greece to join the EEC (now the EU) in the year 1981 deteriorated the competitiveness of the Greek exporting industries. The improvement in this ratio after 2010 should not be interpreted as a success of the austerity programs since during this five years period (2010-2014) imports are in fact falling by an average annual rate of -5.4%, while exports, on the other hand, are increasing at an average annual rate of only 3.04%. If we look at the longer period 2008-2014, then we find that imports are falling at an annual rate of -7.8%, while exports are also falling at -3.95%, and so the ratio of exports to imports displays a rising trend!<sup>13</sup> To our view no definitive statements can be made with respect to any improvement in competitiveness on the basis of this data alone.

**Figure 8. Ratio of exports to imports**



Greece, after her full membership to the EEC, either because of her formal obligations to eliminate most protective measures, or because of the lack of a new industrial policy in the place of the old which ought to be abandoned, saw her previous competitive position gradually being challenged. As a consequence, in this new environment, the struggle for survival intensified and lacking an alternative plan for their strengthening many manufacturing companies, naturally, were under the threat of mass extinction giving rise to unemployment rates that the Greek society was not ready to tolerate. At this point it is worth emphasizing that in the early years of the 1980s the

international economic crisis was in its worst phase. Inflation and stagnation were widespread, while interest rates domestically and internationally were at particularly high levels making borrowing prohibitive for Greek enterprises. The socialist government initially (1981) sought to broaden the tax base by imposing a property tax, but quickly retreated from this initial design and turned to the easy solution which was borrowing from domestic sources in an effort to finance its increased expenditures and, at the same time, to channel liquidity on favorable terms to troubled companies in the effort to satisfy both the business people and its electoral base.

The Industrial Reconstruction Organization (IRO) established in 1983 was designed to rescue the so-called troubled companies of the Greek economy. These companies were across sectors including shipyards, cement, textiles, paper and plastics industries.<sup>14</sup> The troubled companies in the early 1980s were kept operating by loans (most of which at no charge). The general philosophy of the government was contained in the following hackneyed imprint "to clean-out troubled companies, to upgrade and to let them meet the demands of competition." But alas! This "upgrading" was implemented in a manner very different from that professed. The troubled companies not only did not proceed in mergers in an effort to increase size and realize economies of scale, restructure production and finally become competitive, but rather the government's aid was used to worsen the competitiveness of the troubled companies by encouraging additional, and mostly unnecessary, hiring of new personnel. Obviously this scheme of business - government partnership could not be maintained for long, because an increasing amount of produced surplus was absorbed for the mere maintenance of the troubled companies and very little was left to be invested productively. As a consequence, the troublesome part of the Greek economy soon infected the healthy one, resulting in the weakening of the entire economy.

Similar phenomena were developed in the agricultural sector. In particular, the operation of cooperatives was the mechanism through which the financing of farmers would take place with the purpose of the restructuring of cropping pattern and production volumes, investing in infrastructure and directing the production of products and crops in such a way so as to provide a competitive advantage. In fact, this funding inactivated the vast majority of farmers and prevented them from seeking new methods of production and generally preserved, if not promoted, all the structural weaknesses in agricultural production. As a consequence, agricultural production not only lost its competitiveness in the international arena, but also in the domestic one, which was flooded with imported agricultural products. There is no doubt, that with proper planning, organization and guidance many agricultural products could be produced domestically with the same, if not lower than the international, unit cost. The worst of all was the irreparable harming of the cooperative concept, which was so necessary for the reorganization of agriculture and its redirection in products and methods more suitable to the specificities of the country.

Consequently, manufacturing and agriculture, the two most strategic sectors of the economy, which are intertwined between each other and with the other sectors of the economy which produce tradable goods, lost most of their competitiveness in international and, worse of all, in domestic markets. Meanwhile, the import penetration further limited the market share of domestic industrial and agricultural enterprises and thus limited their profitability leading to reduced production and employment in both sectors.

Under these circumstances and in the absence of effective protection from international competition, the Greek entrepreneurs gradually shifted to sectors which enjoyed protection mainly because of their domestic nature and such are the sectors producing non-tradable goods and services. This category included not only non-productive sectors such as the wholesale and retail

trade sectors, the real estate sectors and the financial institutions, but also productive sectors such as tourism, healthcare, media, transportation, communications, construction and the cement industry. These industries are secured from international competition and enjoy a high protection factor, either because of natural barriers or of government privileges. In the conditions of an internationally booming economic environment, as was the case during the period of the 1990s and 2000s, it was relatively easy to ensure the extra demand needed by the sectors of non-tradable goods and services through government orders which were financed by borrowing on the international money markets. The general atmosphere was conducive for such borrowing activity, and from the late 1990s onwards Greece enjoyed excellent (triple A) credit rating, which resulted in very low interest rates. Therefore, the demand for the production of non-tradable commodities was maintained at high levels for relatively long periods of time. These non-tradables included the major public works such as highways, harbors, airports and of course the funding for the Olympic games of 2004. Moreover, the government by granting special privileges to particular companies, which were activated in the non tradable commodities, managed to maintain their profitability at high levels.

During the 1990s the idea of integrating Greece into the common currency Eurozone (EZ) was adopted. The proponents of the idea advanced the argument that via the integration Greece would be obliged to reduce her budget deficits and her mounting public debt to 3% and 60%, respectively. Such targets could be only achieved if they were accompanied by measures that would shift the structure of the economy to more productive directions. The problem with this prospect was that, eventually, both the 3% and 60% borderlines were violated not only by Greece, but by the leading EZ countries, while the move to the more productive economic structure remained a professed but far from achieved target. Under these circumstances, the country drifted toward a deep recession, and all its long-lasting structural weaknesses began to emerge.

More specifically, the adoption of the euro and the subsequent inactivation of monetary policy were accompanied by objectives of budgetary policy that could not be achieved without radical restructuring of the state apparatus and the reconsideration of policies (not necessarily to the downward direction) concerning wages, pensions and more generally benefits. It seems that the integration in the EZ was not a mature choice, since it strengthened further the weaknesses of the Greek economy and revealed the worse aspects of her political system. More specifically, the appreciation of the euro relative to the dollar encouraged the increase in consumption expenditures and especially those of imported goods. Furthermore, investment spending was not directed to plant and equipment which incorporate new technologies and contribute to the increase in productivity. On the contrary, the great deal of investment activity was directed to structures which do not embody much of new technologies and, of course, public works without immediate effects on productivity, and therefore the competitiveness of the economy.<sup>15</sup>

In a hypothetical exercise, if instead of the euro Greece retained the drachma as its national currency, the inflation and devaluation that would follow coupled with rising interest rates would reduce consumption expenditure and discourage government from lending and financing unproductive expenditures.<sup>16</sup> Therefore, the domestic currency would act as an automatic control mechanism for the excesses of the Greek government and also of households. But the hard euro facilitated imports and accelerated the further weakening of the internal links of the economy, *i.e.*, the disruption of the interconnections of sectors and activities. Meanwhile, the very low interest rates led to excessive government borrowing thereby shifting problems and postponing the much-needed structural changes to the distant future. The results are known: chronic fiscal deficits and mounting debt to the point that it became impossible to be sustained by the weak productive

base of the economy, and the widening deficit of the current account which led to the painful internal devaluation; that is, falling prices (wages, pensions and welfare benefits have been mainly devalued) which are the result of rising productivity caused mainly by higher work effort and lower wages. The latter require workers' discipline which is attained with the rising unemployment rate.

## 6. Concluding remarks

**T**he main argument of this paper has been that the cause of crisis in Greece was not different from that of other countries and it is associated with the decline in profitability. Each crisis, however, has its own imprint in each individual country and time period. In the case of the Greek economy, the current crisis of profitability need not necessarily have such dire consequences for the vast majority of people as it turned out to have.

The current crisis, like all previous ones in Greece, was manifested in the fiscal domain and was anticipated since the late 1980s, when Greece, once again, came very close to the brink of financial collapse, but she managed to escape it as a result of global economic growth which made possible the financial aid from the EU. Therefore, what were needed at the outset were structural changes, and the elimination of social injustices and blatant differences in salaries and pensions which, in many cases, were beyond any economic logic. If the government, any government, was committed to such a direction it would have gained the support of the majority of people. This was not the case with the socialist government in the end of 2009 as it was lacking a bold plan and many members of the government thought, at least in the beginning, that the crisis would be overcome with "the policies as usual".

In our view, the crisis would have been less painful if the government early on had the courage and conviction to take a series of drastic measures among which are: the broadening of the tax base and the instituting of a fairer distribution of the tax burdens; the disruption of privileges in business layers that survive at the expense of the state budget; the restriction of the privileges of the labor aristocracy and bureaucracy. The above combined with the reduction of public consumption expenditure could create budget surpluses even from the first years and the economy would have avoided the worse consequences of the crisis that it has experienced in this almost seven year period. These measures would be absolutely necessary, regardless of the decision to remain or not in the EZ. The current situation, unfortunately, may be described as a catch-22 predicament, where the government cannot lower the basic wage any further, without social upheaval; this situation may be characterized as a "wage trap" (Tsoulfidis, 2010 and 2011). On the other hand, the government, or what amounts to the same thing, the European Central Bank cannot further reduce, in any significant way, the interest rate without creating economic chaos; this situation is known as "liquidity trap". Meanwhile, the mounting debt does not allow for an expansionary fiscal policy, unless there is a general (EU) consensus for the devaluation of the public debt or the application of the Ricardian idea of a capital levy, that is a tax on high incomes from capital and property in general (Tsoulfidis, 2013). Meanwhile, the prospects for financial aid from the EU countries become increasingly slimmer, as the EU is pressed in a tectonic-like way by the Asian and other emerging economies while the crisis, in one way or another, already hits the well to do EU economies and reveals the new economic powers that will dominate in the international arena in the coming decades.

## Notes

1. This paper draws on my joint research with Persefoni Tsaliki, whom I thank for further comments and discussions. Particular thanks also go to Theodore Mariolis and Aris Papageorgiou for their comments and suggestions. The usual disclaimer applies.
2. Hence, we refer to Kondratiev type cycles that last four to five decades, for details see Papageorgiou and Tsoulfidis (2006).
3. The data for the years past 2007 are predictions provided by AMECO: ([http://ec.europa.eu/economy\\_finance/db\\_indicators/ameco/index\\_en.htm](http://ec.europa.eu/economy_finance/db_indicators/ameco/index_en.htm)). This data base refers to variables related to GDP for a number of countries.
4. KLEMS is a data base of EU and it is accessible at: <http://www.euklems.net/>. The abbreviation KLEMS refers to Capital (K), Labor (L), Energy (E), Material (M) and Services (S) by sector.
5. For a detailed discussion of productive unproductive labor see Tsaliki and Tsoulfidis (2013), *inter alia*.
6. These estimates are based on data from KLEMS. It is interesting to note that the sectoral disaggregation of the data is in basic prices, which according to the System of National Accounts (SNA) refers to "the amount received by the producer from the purchaser for a unit of good or service produced as output. It includes subsidies on products and other taxes on production. It excludes taxes on products, other subsidies on production, suppliers' retail and wholesale margins, and separately invoiced transport and insurance charges. Basic prices are the prices most relevant for decision making by suppliers" and most appropriate, we may add, for our estimations. The interested reader may find the details of the computations in Tsaliki and Tsoulfidis (2013)
7. Household services are paid out of household income which has been already counted; public sector activities are paid out of government tax and non tax revenues which are already part of surplus-value.
8. Should we need to estimate the purchasing power of workers, then we would divide their wage by the consumer price index (Tsaliki and Tsoulfidis, 1995).
9. Similarly, it could be argued that a rising rate of profit does not necessarily lead to a growing economy.
10. Mariolis (2010, ch. 10) presents this analysis in terms of a differential equation and shows that a falling rate of profit may indeed lead to a stagnant mass of profits and the stationary state of the economy. But then he presents a few counterexamples based on various decreasing functions of the rate of profit. This theoretical analysis renders imperative the econometric specification of the falling rate of profit in actual economies and the realistic calibration of its functional presentation.
11. The figures for the years 2013 and 2014 are just predictions.
12. My 2001 article, and other writings even earlier, anticipated the end of the boom of the 1990s and 2000s and the coming crisis, where the vast majority of population would not be protected, to the same extent as during the depression of the 1970s, by the welfare state.
13. Our data on exports and imports are in current prices and their source is AMECO, the data for the years 2013 and 2014 are official predictions.
14. In 1986, the IRO had included 41 companies with 54,500 employees (see also Sakellariopoulos, 2004).

15. Competitiveness in its narrow definition is estimated as the ratio of nominal wages to labor productivity, or, alternatively, as the inverse of unit labor cost in tradable goods sectors relative to the corresponding world value. Thus competitiveness increases by reducing the wages and/or increasing productivity (Blanchard, 2007). At this point we need to draw the reader's attention to the paradox of Kaldor (McCombie and Thirlwall, 1994), according to which any growing economy, whose share in the international trade increases, experiences also an increase in its wage cost. There is no need for much research to see that in China, for example, a country with high growth rates, the labor cost, although much lower than that of developed countries, is however growing! Similar phenomena were observed in the past in Japan and South Korea, among other countries.
16. The potential return to a domestic currency is seen by some as a panacea to the economic problems of Greece and an instigator of disaster by others! Return to the drachma is no easy task and certainly is not discussed from the Greek and other governments, as this may trigger, among other things, domino withdrawals from the EZ. For supporters and opponents of the euro there is agreement in that the euro is not just a currency, but rather contains much more than the mere functions of money. In terms of economic analysis, however, the return to the domestic currency in and of itself does not necessarily imply hyperinflation and catastrophe. The analysis of Katsinos and Mariolis (2012) about the possible effects of a hypothetical adoption of a new drachma (currency) and its devaluation by 50%, *ceteris paribus*, shows that the price increase is not unstoppable, but subject to limitations arising from the inner connections of the economy, described by its input-output structure. Therefore, the inflationary expectations of a devaluation of say 50% are controllable and of relatively small effect, while the economy's competitiveness is expected to improve significantly. It is important to note that in all cases, even after a large depreciation, price stability and structural adjustments are prerequisites for economic growth. This is a conclusion derived from both the positive experience of the stability of the exchange rate of the new drachma after its sharp devaluation in 1953 and the associated with this devaluation industrial policies that were pursued up until the 1980s, and the negative experience of the continuous depreciation of the drachma and the abandonment of industrialization policies in the post-1980 period.

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**Π.Ε.Η.Σ.Α**

**ΕΠΙΣΤΗΜΟΝΙΚΗ ΕΤΑΙΡΕΙΑ ΓΙΑ ΤΗΝ ΚΟΙΝΩΝΙΚΗ  
ΣΥΝΟΧΗ ΚΑΙ ΑΝΑΠΤΥΞΗ**



## **Ημερίδα**

# **Μετανάστευση και Φύλο. Από την Αδήλωτη Εργασία στην Ένταξη**

**Πέμπτη 17 Οκτωβρίου 2013, ώρα 16.00 - 21.00 μ.μ.**

***Πάντειο Πανεπιστήμιο, Αίθουσα ΔΕΣΚΟΙ  
(Χαρ. Τρικούπη 1 & Λαγουμιτζή, Αθήνα).***

Στο πλαίσιο του προγράμματος «ΤΩΡΑ ΓΝΩΡΙΖΟΥΜΕ. ΟΙ ΓΥΝΑΙΚΕΣ ΜΕΤΑΝΑΣΤΡΙΕΣ ΓΥΡΙΖΟΥΝ ΤΗΝ ΠΛΑΤΗ ΣΤΗΝ ΑΔΗΛΩΤΗ ΕΡΓΑΣΙΑ» και αφορά την υλοποίηση της Πράξης 3.2.4. «Υποστήριξη των Μ.Κ.Ο. (Γυναικείων Οργανώσεων)» (Α' & Β' ΚΥΚΛΟΣ) του Επιχειρησιακού Προγράμματος «Διοικητική Μεταρρύθμιση 2007-2013», με δικαιούχο την «Ειδική Υπηρεσία Εφαρμογών – Γενική Γραμματεία Ισότητας των Φύλων» (ΕΥΕ-ΓΓΙΦ).



Με τη συγχρηματοδότηση της Ελλάδας  
και της Ευρωπαϊκής Ένωσης.



ΥΠΟΥΡΓΕΙΟ ΕΣΩΤΕΡΙΚΩΝ



ΓΕΝΙΚΗ ΓΡΑΜΜΑΤΕΙΑ  
ΙΣΟΤΗΤΑΣ ΤΩΝ ΦΥΛΩΝ

# Tackling the debt crisis in Greece: The role of the underground economy

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## Η αντιμετώπιση της κρίσης χρέους στην Ελλάδα: Ο ρόλος της παραοικονομίας

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### ABSTRACT

This paper aims at assessing the relative importance of the underground or shadow or hidden economy in the effort of tackling the current debt crisis. Examining the case of Greece, one of the EU countries that face serious sovereign debt problems, we emphasize the importance of controlling the hidden economic activity, that is of incorporating it into the official economy. Moreover, by analyzing the factors affecting the part of the economic activity which takes place outside the official sector, we evaluate the potential gains Greece could have obtained in case it could have converged to the best practice or even the average levels of the determining factors of the hidden economy prevailing in the rest of the OECD countries.

**KEY WORDS:** Underground economy, tax evasion, governance, regulation, tax burden

### ΠΕΡΙΛΗΨΗ

Σκοπός της παρούσας εργασίας είναι η εκτίμηση της σχετικής σημασίας της παραοικονομίας στην προσπάθεια αντιμετώπισης της σημερινής κρίσης χρέους. Εξετάζοντας την περίπτωση της Ελλάδας, μια από τις χώρες της ΕΕ που αντιμετωπίζουν σοβαρό πρόβλημα δημόσιου χρέους, δίνουμε ιδιαίτερη έμφαση στην αντιμετώπιση της παραοικονομίας, δηλαδή στην ενσωμάτωσή της στο επίσημο ΑΕΠ. Επιπλέον, αναλύοντας τους παράγοντες που επηρεάζουν το τμήμα της οικονομικής δραστηριότητας το οποίο λαμβάνει χώρα εκτός του επίσημου τομέα της οικονομίας, παρέχουμε μια εκτίμηση του δυνητικού οφέλους που θα είχε η Ελλάδα από τον έλεγχο της παραοικονομίας στην περίπτωση που είχε τις καλύτερες επιδόσεις σε σχέση με τις χώρες-μέλη του ΟΟΣΑ ή ακόμη και στην περίπτωση που είχε τις μέσες αντίστοιχες επιδόσεις.

**ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ:** Παραοικονομία, φοροδιαφυγή, διακυβέρνηση, κρατικές ρυθμίσεις, φορολογικό βάρος

## 1. Introduction

**I**n many European countries and other advanced economies, to restrict our analysis only to the economically developed world, the current economic crisis led to high public sector deficits and

debt, albeit with different starting points and final impact on other economic variables. Due to this fact, the interest rate spreads of many EU peripheral economies (including Greece) soared. The adoption of various adjustment programmes in many countries to reduce public sector deficits and debt had as it was expected a negative impact on their real GDP and employment levels. As a result, many economies started recording negative growth rates. GDP reduction associated with increased unemployment tends to reduce public sector revenues and to increase social protection expenditures. The need to proceed with fiscal consolidation plans brought up the urgency of increasing fiscal revenues by controlling the underground economic activities that by definition are associated with extended tax evasion. A phenomenon that is expected to increase in a period of economic crisis.

The issue of the underground economy has become a subject of considerable interest since the beginning of the 1970s. The economic literature on the measurement of the shadow economy (see, indicatively, Blades 1982, Frey and Pommerehne 1982, 1984, Giles 1997, Thomas 1999, Schneider 2004 and Schneider et al. 2010) as well as on the determinants of the phenomenon is already very extensive (see, among others, De Soto 1989, Drecher and Schneider 2010 and Singh et al. 2012).

Regarding the case of Greece, it must be stressed that the Greek policy makers started to grasp the problem of the existence of a large hidden economy in Greece only after 1992, when the need for fiscal consolidation became imperative in order to fulfill the criteria of fiscal discipline imposed by the Treaty of Maastricht (Vavouras and Karavitis, 1997). The relevant research focusing on the Greek shadow economy, especially on the measurement of the phenomenon, is also very extensive. Indicatively, we could refer to the work of Pavlopoulos (1987), Negreponi-Delivani (1990), Vavouras et al. (1990), Kanelopoulos et al. (1995), Agapitos and Mavraganis (1995), Schneider and Enste (2000), Manolas and Vavouras (2001), Tatsos et al. (2001) and Schneider (2011). On the basis of these studies, it is becoming clear that the hidden economy is very large in Greece throughout the last decades. According to Schneider (2011), the size of the hidden economy in Greece seems to have increased at the beginning of the crisis (from 24.3% of GDP in 2008 to 25.2% in 2010, while in 2011 and 2012 it is estimated to have decreased to 24.3% and 24% respectively).

The underground economy includes all output that goes unreported and therefore is "concealed" or "hidden" from taxation, mainly from income tax and VAT. A part of it pertains to legal activities, such as transactions between firms and retailers which are paid "off the counter", an agreement that enables both parties to avoid paying taxes. The remaining part is the product of illegal activities, such as prostitution, drug trafficking and so on. According to Schneider, Buehn, and Montenegro (2010), the "underground economy includes all market-based legal production of goods and service that are deliberately concealed from public authorities to avoid the payment of income, value added or other taxes, to avoid payment of social security contributions, having to meet certain legal labor market standards, such as minimum wages, maximum working hours, and safety standards, and complying with certain administrative procedures".

In the rest of this paper we will attempt to assess the relative importance of the underground economy in a strategy of overcoming the current debt crisis. By considering the case of Greece, one of the European Union countries that face serious sovereign debt problems, we emphasize the importance of combating the hidden economy that is the importance of incorporating the unreported economic activities into the official economy. More specifically, by analyzing the factors affecting the part of the economic activity which takes place outside the official sector, we evaluate the potential gains Greece could have obtained, in case it could have converged to the best practice or even the average levels of the determining factors of the hidden economy prevailing in the rest of the OECD countries.

The paper is organized as follows: In section 2 we examine the impact of the underground economy on the size of the public debt. In section 3 we analyze the main determinants of the underground economy. In section 4 we investigate some equity implications of the underground economy. Finally, in section 5 we provide some concluding remarks and some policy proposals.

## 2. The impact of the underground economy on the size of the public debt

The underground economy affects the size of the debt of a country through various channels. The most direct one is that of the impact of tax and social security contributions evasion on the general government revenues and expenditures and, thus, on the general government deficit. Higher tax and social security contributions evasion (i.e., a more extensive underground economy), drives to a higher public deficit and, *ceteris paribus*, to higher debt levels. This impact, which could be called as a “nominator effect” of the underground economy on the debt/GDP ratio, is followed by the relevant “denominator effect”. Firstly, the immediate “accounting” impact is that, as not all activities are recorded, a lower official or recorded GDP increases the debt as a percentage of GDP; on top of this, however, high debt levels are negatively correlated with economic growth (Reinhart and Rogoff, 2010), further reducing nominal GDP. Moreover, the interrelationship between the underground economy and corruption (Dreher and Schneider, 2006) and the impact of the latter on public deficits shows another channel through which the hidden economy affects public deficits.

Simulation results (Vavouras et. al., 2012) show that if we had managed to incorporate the shadow to the official GDP of Greece, starting from the year 2006, the general government debt as a percentage of GDP would have been in the year 2010, depending on the size of incorporation, 79.8% or 112.2% compared to the actual 144.9% of GDP. To this improvement, the contribution of the denominator effect is estimated at 45%, with the remaining part being the impact of higher GDP on tax revenues. The impact of incorporating the shadow to the official economy would have been much higher if this incorporation had started earlier. This hypothesis suggests that if Greece had managed to tackle effectively its hidden economy in the previous years, it definitely would not have to face its recent debt crisis. These results make clear how important is the need for combating the hidden economic activities in Greece and how significant is, not only for theoretical considerations but more interestingly for policy purposes, the analysis of the factors that determine the size of the underground economy in the country.

## 3. The determinants of the underground economy

The factors that theoretically determine the size of the underground economy in a specific country are numerous. They could be distinguished to two broad categories: purely economic factors on one hand and on-economic factors the other, such as social, psychological, cultural, administrative, and so on. The relative importance of each factor varies at the level of each individual country and at the specific time of the evaluation. Generally according to the existing literature, the most important determinants of the underground economy are the following:<sup>1</sup>

- i. *Tax burden.* It is related to the burden caused by the imposition of taxes and social security contributions. It is generally accepted that the increase of taxes and social security contributions

is one of the main factors, and perhaps the most important one, for the increase of the shadow economy (Schneider and Enste, 2004). It is straightforward that high direct and indirect taxes in the official economy are directly related to the enlargement of the underground economy. A large part of tax evasion pertains to “hiding” income earned from a second employment, or from self-employment. The hidden economic activity is usually based on the mutual agreement between the two related parts, such as employer and worker or seller and buyer, mainly in order to avoid the payment of direct and indirect taxes, such as the VAT or income taxes. At the same time, a significant part of social security contributions evasion stems from the declaration of lower wages than the actual ones and, thus, from the payment of lower contributions for the social security, both from the part of employees and employers.

In the relevant neo-classical models, the marginal tax rate is considered as the basic factor determining the size of the underground economy. The higher the marginal tax rate, the stronger the effect “of substitution between labor and leisure” and the larger the distortion in the decision of a person to allocate time between labor and leisure. If a person could get an income from the hidden economy, then the substitution effect would be higher than the income effect and, thus, the individual would work less in the official economy (Schneider, 2003). Empirical studies for various European countries confirm the importance of the tax burden on the size of the underground economy. Cebula (1997) estimated that an increase of the marginal tax rate of the personal income tax in the USA by 1 percentage point, results, *ceteris paribus*, to an increase of the size of the hidden economy by 1.4 percentage points. Similarly, Chianini, Marzano and Schneider (2008), using data for the Italian economy, found that an increase by 1 percentage point of tax evasion increases the tax rate by 0.3%, while the reverse increases the tax evasion in the long-run by 0.48 percentage points.

ii. *The existence of a large number of regulations in the economy*: State regulations target to the control of markets by imposing rules and restrictions on their operation. They take the form of laws or other regulations and they mainly pertain to the labor market, the employment of foreigners, restrictions on free trade, etc. As a result, they limit the choices of individuals in the context of the official economy (Schneider and Enste, 2000). These regulations lead to an increase in the cost of labor in the official economy, creating incentives for employment in the shadow economy rather than in the official economy.

Johnson, Kaufmann and Shleifer (1997), as well as Johnson, Kaufmann and Zoido-Lobaton (1998) found that an increase by one unit of the indicator of regulation (which takes values from 1 to 5, with 5 to show that a country has stringent regulations), *ceteris paribus*, results to an increase of the hidden economy by 8.1 percentage points. Similarly, estimates of Friedman, Johnson, Kaufmann and Zoido-Lobaton (2000), using data from 76 developed and developing countries, show that an increase of the “indicator of regulations” by one unit, results to an increase of the shadow economy by 10 percentage points.

More specifically, institutional restrictions in the official labor market usually increase the labor cost, reinforcing thus the incentive of enterprises to absorb labor from the secondary or parallel labor market (illegal economic immigrants, individuals who receive unemployment benefits etc) rather than from the primary or official labor market. For example, the reduction of hours worked in France and Germany, increased the available time for leisure and could lead to an increase of employment in the shadow economy (Hunt, 1999). Similarly, part-time employment and early retirement could have similar results (De Gijssel, 1984). The more general conclusion from this category of empirical studies is that the increase in the number or the intensity of regulations in an economy (and not the improvement of their effectiveness) increases rather than decreases the activity in the underground economy.

- iii. *The role of state*: The state affects the size of the underground economy through its ability of deterring and repressing tax evasion and from the degree of acceptance of its power that determines the level of “tax morality”. More specifically, the ability of a state to reduce the tendency for tax evasion depends on the organizational effectiveness of tax services, the structure of the existing tax system and the degree of accounting organization of enterprises. The risk of being caught and punished is one of the main deterring factors for tax evaders. At the same time, the tax morality of individuals is connected to the perception they have for the state. If they believe that the state does not aim at promoting social prosperity or social welfare or that it is an ineffective organization that wastes the resources that it collects from its economic agents, individuals and firms, they could more easily turn to the hidden economy. On the other hand, countries with high corruption, especially in the public sector, also have an extensive hidden economy, since corruption affects governance negatively. Finally, it is often the case that the state, for various reasons, relaxes economic controls especially in pre-election times, strengthening thus the activity in the underground economy. For example, in Greece, the underground economy is not irrelevant with electoral circles. (Vavouras and Manolas, 2004).

Apart from Andvig et al. (2000) and Dreher and Schneider (2006), who have shown that a relationship exists between corruption and the hidden economy, the role of governance in relation to the underground economy has also been examined in various other studies, mainly in those of Torger and Schneider (2007) and Singh et al. (2012). In the first study, the authors used alternatively more than 25 variables which are considered to be related to governance and the quality of institutions and found the existence of a strong correlation with the hidden economy, while, in addition, the increase in tax morality decreases as it is expected the size of the underground economy. The empirical analysis of Singh et al. (2012) suggests that institutions are a more important determinant of the size of the underground economy compared to tax rates.

The empirical study of Manolas et al (2012), using panel data for a group of 19 countries for the 2003 – 2008 period, has found that the quality of governance, the regulatory framework in various markets and the tax burden are the most important factors affecting the part of the economic activity which takes place outside the official sector. These results were used to evaluate the potential gains Greece could obtain, in the case it could converge to the best practices or even the average levels of the determining factors of the rest of the OECD countries. More specifically, they found that Greece would benefit more by trying to reach the average level of the other OECD countries with respect to regulation of the product market, the labor market and government effectiveness, while Greece has a lot of ground to cover in trying to converge to this average, insofar as the control of corruption, government effectiveness and the regulation of the labor market are concerned. Most notably, the performance of Greece is impressively low regarding the control of corruption, as the rest of countries are performing (on average) almost 14 times better than Greece.

## 4. Equity considerations

**F**rom the above analysis it is clear that, by acting on the determinants of the shadow economy listed above, Greece could benefit in terms of fiscal consolidation gains. The overall impact of incorporating even parts of the unobserved economy into the official accounts and more specifically the reduction of the Greek shadow economy to its average OECD levels could well suffice to place

public debt on a sustainable path. That is the effective control of the large Greek shadow economy is a sufficient condition to overcome the current debt crisis. However, taking into account the view often expressed that economic crises in general also have distributional effects (see, for example, Atkinson and Morelli, 2011) an additional question of high interest is raised. That is by controlling the shadow economy in Greece, one would expect the distributional effects of the crisis to be reinforced or mitigated?

The answer to the above question is a two dimensional issue, since we have to examine what are the distributional impacts of economic crises and how the effective control of the shadow economy in a period of economic crisis affects the existing distribution of income. We have therefore to examine two hypotheses simultaneously: First the effects of the shadow economy on income distribution and second the effects of economic crisis on income distribution.

Although some empirical research on each single issue already exists, both issues have not been yet at the interest of any research study. Baldacci et al. (2002) for example have found that “a fall in GDP per capita in the wake of financial crisis is associated with an increase in the incidence of poverty and deterioration in income distribution, measured by the Gini coefficient”. Bordo and Meissner (2011) also argue that crises seem to be associated with greater income inequality, since income at lower deciles seems to fall faster than that for the upper deciles after financial crises.

The debate about the relationship between the size of the shadow economy and income distribution and, even more, the direction of causality between the two, is still open. Despite early evidence that a positive correlation exists (see, among others, Rosser et al., 2000, 2003 and 2004 and Valentini, 2007), this view was heavily disputed and rebuked; as a result, currently there is no clear consensus among the experts in the field. Generally, in order to have a clear view on the distributional implications of the shadow economy we have to answer two critical questions. First, what is the income of those who decline to declare it and to pay the associated taxes and second what is the income of those that declare it and as a result face increased tax burden because of the existing tax evasion.

In trying to assess the possible impact of tackling the shadow economy in Greece, we performed a preliminary statistical analysis in two dimensions: Firstly, we calculated the correlation coefficient between the size of the shadow economy and the Gini coefficient for the cross section of countries used for the Manolas et al. (2012) study for the last year of the sample. The value for this coefficient is practically zero, implying the lack of a clear pattern (see also Figure 1). In order to verify this finding, we also calculated the correlation coefficient between the *change* in the size of the shadow economy for 35 countries and the *change* of the Gini coefficient (a calculation which is more relevant to the impact we are trying to assess). The reference period for the changes is the decade of 2000 (beginning – end) and, again, the coefficient is very low and statistically insignificant. In fact, again there is no clear pattern, as the size of the shadow economy was reduced in all 35 countries, with the Gini index increasing in 20 of them and decreasing in 15. In Greece, during the specific period the reduction of the shadow economy by 2.8 p.p. as a ratio to GDP was combined with a minor reduction of the Gini index (by 0.038 points, from 0.345 to 0.307). Despite this *ex-post* finding for Greece, however, the main conclusion of this section is that, as international evidence shows, there is no clear indication about how reducing the shadow economy in Greece is expected to affect the pattern of income distribution.

Figure 1: Correlation between the size of the shadow economy and the Gini index

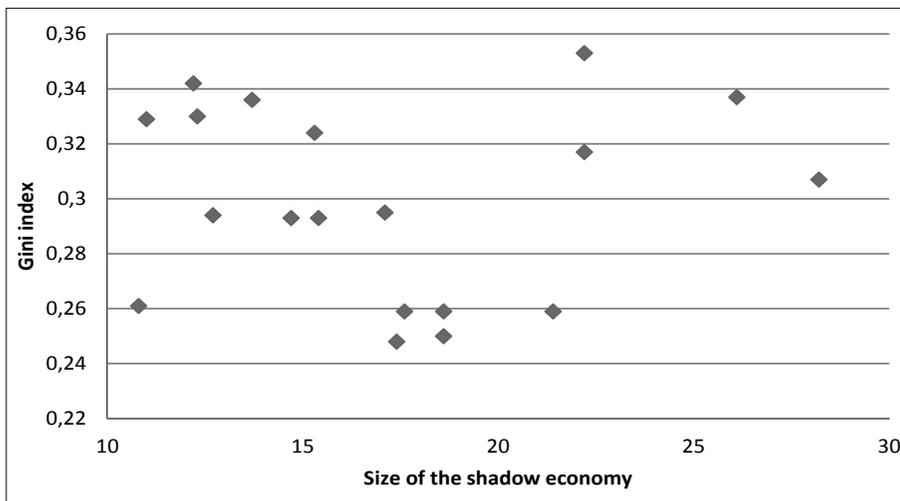
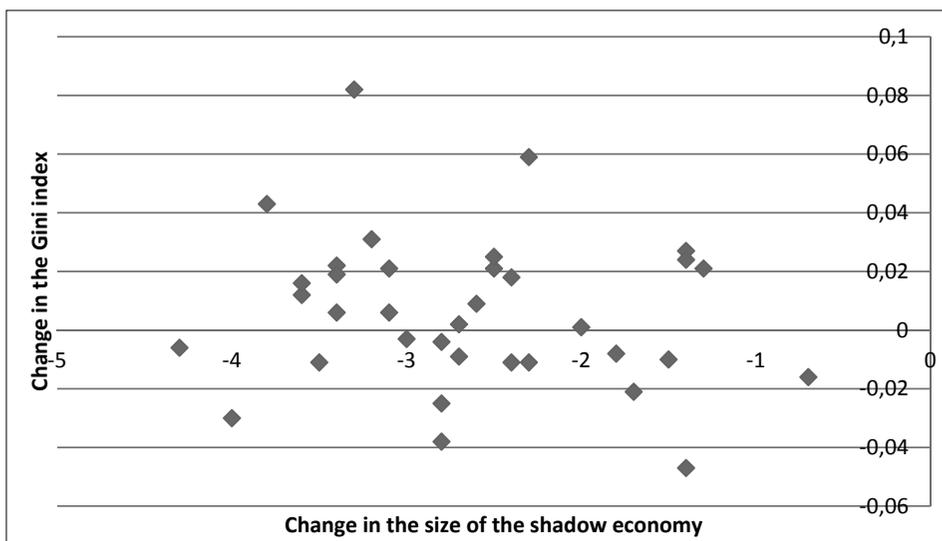


Figure 2: Correlation between the change of the size of the shadow economy and the change of the Gini index



## 5. Concluding remarks and policy proposals

The underground economy has many political, social and economic implications. The existence of a significant hidden component to total economic activity not only affects the reliability of the official data and the indicators based on these data, but also affects almost all the main aspects of economic policy. Moreover, in the current economic situation the need for fiscal consolidation

made the necessity for containing tax evasion and underground economic activities imperative. As a result, policy measures towards reducing the off-market activities in the economy should be urgently adopted as a means to surface from the current tax crisis sooner than later.

The improvement in the effectiveness of the tax system is an important factor for the restriction of the underground economy in a country. The repression, but even more the prevention of tax offences, is a basic element in the effort to contain the hidden economy. Regarding prevention, this could be pursued through policies such as the rationalization of the tax burden, so that a "horizontal" and "vertical" tax justice exists and the tax burden corresponds to the real situation in the economy. Other relevant policies include the improvement of transparency of the tax system and the systematic control and cross-checking of data provided by tax-payers. As far as the repression is concerned, it is very important that penalties are imposed in an effective way that makes them reliable and applicable, promoting the concept of tax justice. Through these policies, tax morality will also improve, contributing thus to the restriction of the hidden economy in the long-run.

Regarding both prevention and repression of the underground economy, the role of ITCs is very important. It is a fact that the effectiveness of the state's controlling mechanism does not solely depend on new technologies, but also on the organization of the services in charge, as well as on the existence of a qualified and productive personnel. The increase of productivity of the entire public sector is necessary, improving the methods of organization and administration, combined with an improvement of the quality of use of the existing resources. This will result to containing public expenditure which, in turn, will reduce the tax burden and will boost the development of the official private sector, thus restricting the underground economy.

Finally, due to the close relationship between corruption and the hidden economy, the effective restriction of corruption in Greece is expected to have a significant impact on the reduction of the underground economy. Thus, policies for a reduction of the underground economy in Greece should primarily focus on the fight of corruption and on the improvement of the quality of governance.

## Notes

- \* The views expressed in this paper are strictly personal and do not necessarily reflect those of the Hellenic Ministry of Finance.
- 1. See also Vavouras and Manolas (2004), chapt. 10.

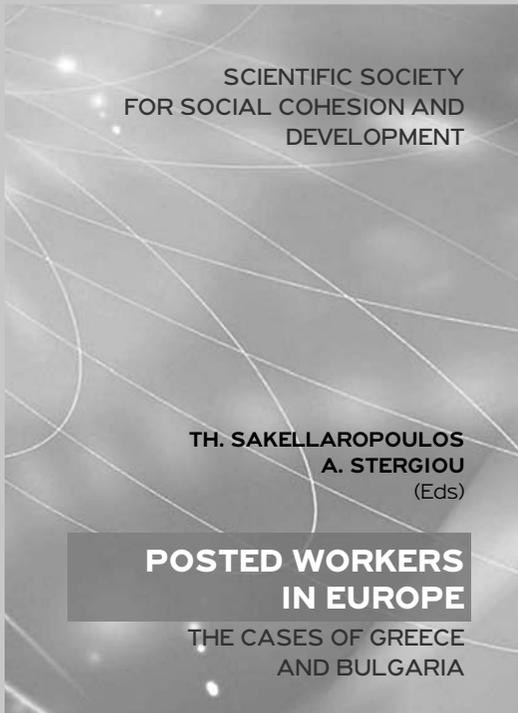
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**SCIENTIFIC SOCIETY FOR SOCIAL  
COHESION AND DEVELOPMENT**

**POSTED WORKERS IN EUROPE  
THE CASES OF GREECE  
AND BULGARIA**

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The present Volume aims at contributing to the debate concerning posted workers in the EU and the elaboration of relevant strategies, especially in light of the recent decisions by the European Court of Justice (ECJ) and their implications for the future of European social policy. The Volume while highlighting the issues at stake, places at the same time particular focus on the cases of Greece and Bulgaria through the presentation of two case-studies carried out by the researchers of the Scientific Society for Social Cohesion and Development (EPEKSA) and the European Institute. The Volume also contains the presentations of European researchers, experts on the issue, who took part in the International Conference organized on the subject in June 2011 in Athens. The issues highlighted will contribute to the debate that is taking place in relation to tackling social dumping and creating better working and living conditions for workers in the EU.

# Inequality, poverty and living conditions in Greece: Recent developments and prospects

Theodore Mitrakos, *Bank of Greece*

## Ανισότητα, φτώχεια και συνθήκες διαβίωσης στην Ελλάδα: πρόσφατες εξελίξεις και προοπτικές

Θεόδωρος Μιτράκος, *Τράπεζα της Ελλάδος*

### ABSTRACT

This paper presents the recent trends and the characteristics of inequality, poverty and living conditions in Greece, emphasising on the distributional effects of the austerity measures adopted during the current economic crisis. Moreover, the decomposition analysis of the study examines the structure of inequality and the contribution of various income sources in overall inequality, while the main characteristics of the Greek social solidarity system and the poor distributional impact of social benefits are also discussed. For this purpose, the household income from the Greek Household Budget and the EU Statistics of Income and Living Conditions surveys are used. The available data indicate that income inequality and relative poverty increased, yet not dramatically, during the current crisis, although the composition of the poor population changed considerably. However, the sharp decline in disposable income and the dramatic increase in unemployment led to a significant deterioration in economic prosperity and absolute poverty, i.e. when the poverty line in real terms remains stable in the pro-crisis levels.

**KEY WORDS:** Inequality, poverty, living conditions, redistribution impact

### ΠΕΡΙΛΗΨΗ

Η εργασία παρουσιάζει τις πρόσφατες εξελίξεις και τα χαρακτηριστικά της ανισότητας, της φτώχειας και των συνθηκών διαβίωσης των νοικοκυριών στην Ελλάδα, με έμφαση στις αναδιανεμητικές επιπτώσεις των μέτρων λιτότητας που υιοθετήθηκαν κατά την διάρκεια της τρέχουσας οικονομικής κρίσης. Επιπλέον, η μελέτη εξετάζει τη δομή της ανισότητας και τη συνεισφορά των διαφόρων πηγών εισοδήματος στη συνολική ανισότητα, ενώ συζητούνται επίσης αναλυτικά τα κύρια χαρακτηριστικά του ελληνικού συστήματος κοινωνικής αλληλεγγύης και οι περιορισμένες αναδιανεμητικές επιδράσεις των κοινωνικών παροχών. Για το σκοπό αυτό, χρησιμοποιούνται τα δεδομένα του εισοδήματος από την έρευνα Οικογενειακών Προϋπολογισμών για την Ελλάδα καθώς και τις Ευρωπαϊκές Έρευνες Εισοδήματος και Συνθηκών Διαβίωσης των νοικοκυριών. Τα διαθέσιμα στοιχεία δείχνουν ότι η εισοδηματική ανισότητα και η σχετική φτώχεια αυξήθηκε, αλλά όχι δραματικά, κατά τη διάρκεια της τρέχουσας κρίσης, αν και η σύνθεση του φτωχού πληθυσμού άλλαξε σημαντικά. Ωστόσο, η απότομη μείωση του διαθέσιμου εισοδήματος των νοικοκυριών και η σημαντική αύξηση της ανεργίας επιδείνωσαν δραματικά την οικονομική ευημερία και την απόλυτη φτώχεια, δηλαδή όταν η γραμμή φτώχειας σε πραγματικούς όρους παραμένει σταθερή σε επίπεδα πριν από την κρίση.

**ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ:** Ανισότητα, φτώχεια, αναδιανεμητικές επιδράσεις

## 1. Introduction

The problems of poverty, inequality and social cohesion often constitute the focal point of public social and political debates during the current economic crisis. However, the arguments put forward are usually insufficiently documented, and sometimes run contrary to the results of empirical studies. This paper summarises the key findings of such studies in order to facilitate the political and social dialogue on these issues and to check the validity of claims usually made. It also presents the recent trends and the characteristics of inequality, poverty and living conditions in Greece, emphasising on the distributional effects of the austerity measures adopted as a consequence of the current economic crisis and the consequent decline in economic activity.

The second section of the study presents the data sources usually used in the analysis of the trends and structure of inequality and poverty in Greece as well as in other European countries. The empirical results of the analysis regarding inequality, risk of poverty or social exclusion and living conditions trends are presented in the third section. In the same section a decomposition analysis is performed in order to examine the structure of inequality and the contribution of various income sources in overall inequality. The main characteristics of the Greek social solidarity system and the poor distributional impact of social benefits are discussed in the fourth section of the study. The last section concludes and some policy remarks are suggested.

## 2. The main data sources

In Greece, the systematic empirical research of economic inequalities and poverty is relatively limited and rather recent. The major restrictive factor in the study of these issues has been the lack of solid statistical data, as well as conceptual and analytical problems encountered in such efforts.<sup>1</sup>

The main source of data for the analysis of the trends and structure of inequality and poverty in the case of Greece are the Household Budget Surveys (HBS). HBSs provide detailed information on consumption expenditure (very detail items on both actual and imputed), income (analytical sources of income after social security contributions and transfer payments) and socio-economic characteristics of a representative sample of households and their members. Six cross sectional HBS are available, covering the period 1974-2004, while since 2008 a yearly rotating panel survey is conducted by the National Statistical Institute (ELSTAT). Many empirical studies have utilized the information on either income or consumption expenditures of the HBSs and in most cases the results are very similar regardless of the chosen variable.<sup>2</sup> It should be noted, however, that surveyed population in the HBS does not include groups which are poor by inference, like homeless or institutionalised persons, illegal economic immigrants, Romà, etc.

The second important source of data for compiling social indicators (inequality, poverty, living conditions etc) in Greece as well as in many European countries is the disposable income information of the European Community Household Panel (ECHP) and the more recent EU Statistics of Income and Living Conditions (EU-SILC). EU-SILC is the main source of comparable statistics on income distribution, risk of poverty and social exclusion in EU countries. The basic aim of the survey is to study, both at national and European level, the households' living conditions mainly in relation to their income. The use of commonly accepted questionnaires, primary target variables and concepts – definitions ensures data comparability.<sup>3</sup>

### 3. Empirical results

In the current study the unit of analysis is the household member and the distributions used are those of equivalent per capita income. Equivalent income is calculated by dividing total current income of each household by the number of its equivalent adult members. The quotient derived was attributed to each household member by means of the technique of sample re-weighting on the basis of the household size (number of members). The family equivalence scales used are those of Eurostat, which assign a weight of 1.0 to the household head, a weight of 0.5 to each of the remaining household members above the age of thirteen and a weight of 0.3 to each child aged up to thirteen. According to the methodology for measuring poverty, the poverty line is calculated with its relative concept (poor in relation to others) and it is defined at 60% of the median total equivalised income of all households in the survey.

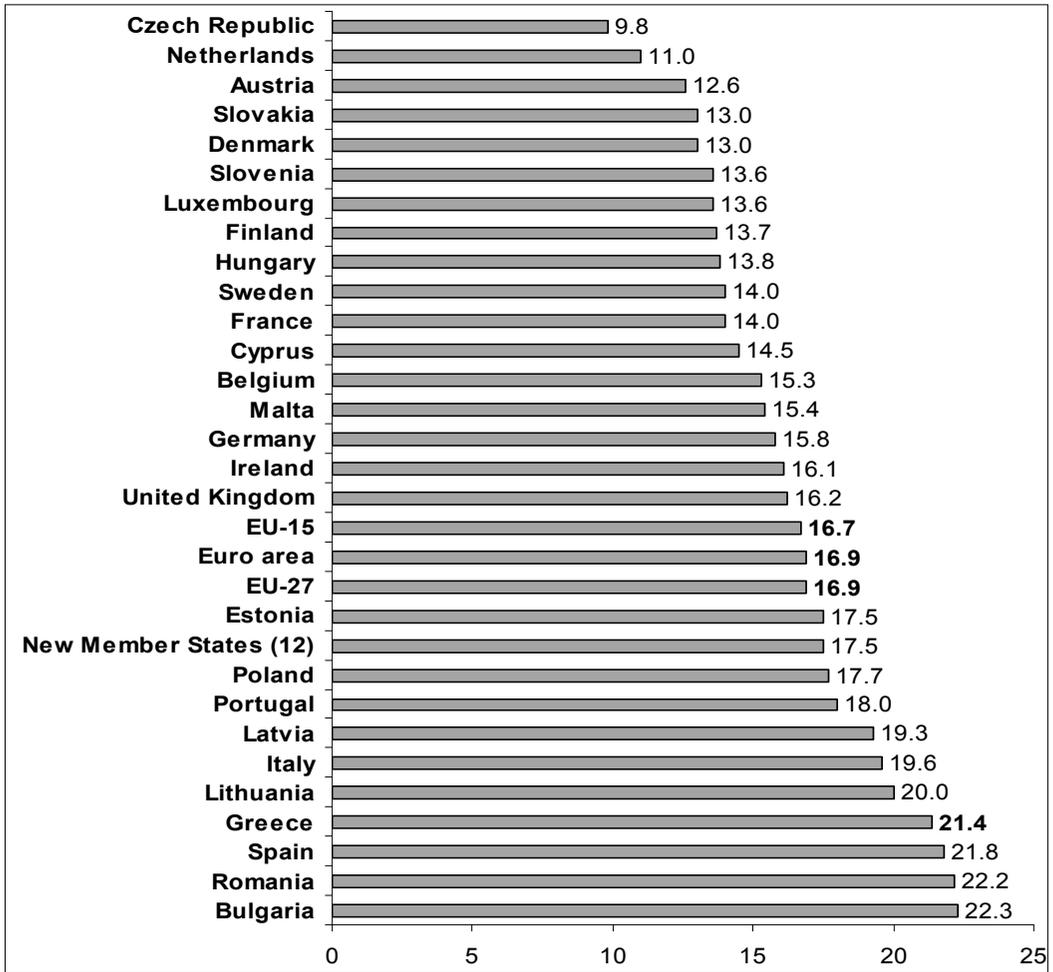
#### 3.1 Risk of poverty or social exclusion indices

According to the concept of *relative* poverty, a person is considered poor when his income is not sufficient to ensure a standard of living compatible with the habits and standards of the given society he lives in. This approach implies that the poverty line changes with the average standard of living of the population, while, under the concept of *absolute* poverty, it remains stable over time in terms of real purchasing power.

Mitrakos and Tsakloglou (2012) analyse inequality and poverty in Greece for the period 1974-2008 using primary data from HBSs. They conclude that in the period since the return to democracy (1974), relative poverty initially decreased considerably (between 1974 and 1982) and thereafter remained relatively stable with narrow fluctuations throughout the years from 1982 to 2008. However, examination of poverty over time adopting the absolute approach rather than the relative one leads to the conclusion that absolute poverty in Greece has decreased impressively since the return to democracy. Furthermore, all relevant indicators show an almost constant but not linear improvement in the population's level of economic prosperity. Several non-monetary indicators of prosperity, such as house comforts, possession of consumer durables, life expectancy, average education level, etc., support the aforementioned conclusions.

According to the latest data from the sample survey EU-SILC for the year 2011, as announced by ELSTAT and published by Eurostat, 21.4% of the Greek population or 901,194 households numbering 2,341,400 individuals in total live below the relative at-risk-of-poverty threshold (based on 2010 incomes).<sup>4</sup> This relative poverty rate is significantly higher than that of the other EU countries except Spain, Romania and Bulgaria (EU-27, EU-SILC 2011: 16.9%, see Graph 1).

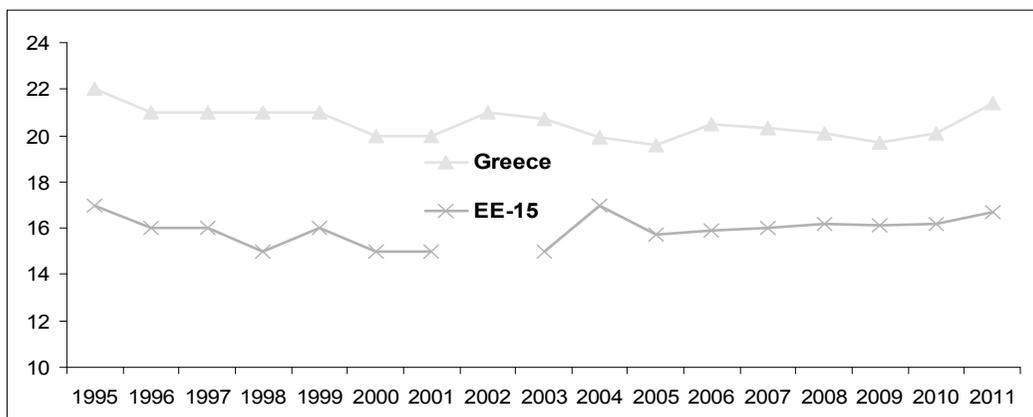
In the 2011 EU-SILC survey, the relative poverty threshold for Greece was set at €6,591 (2010: €7,178) per year for a single-member household and at €13,842 (2010: €15,073) for a four-member household with two adults and two children. This threshold has been set at 60% of the median equivalised disposable income of all households (Eurostat definition). The average annual disposable income of total Greek households amounted to €21,590 for 2010 that means 12.2% lower compared to that of 2009 when it was €24,224 (see Table 1).

*Graph 1. Poverty rates in EU countries: 2011*

Source: Eurostat (EU-SILC).

Relative poverty has been broadly stable or moderately decreasing over the 15 years prior to the beginning of the crisis, namely over 1995-2009 (ECHP, EU-SILC data). As it is presented in Graph 2 the poverty risk indicator, calculated using the same methodology, ranged between 19.5% and 23% during the 1995-2009 period, consistently higher around 5 percentage points than the EU average.<sup>5</sup> This poverty risk indicator rose by 1.7 percentage points in the first two years of the crisis (2008 incomes: 19.7%, 2009: 20.1%, 2010: 21.4%) and remains significantly higher than in most EU countries (see Table 1, Graph 2).

**Graph 2. Inter-temporal trends in poverty rate**



Source: Eurostat (ECHP, EU-SILC).

In *absolute* terms, i.e. when the poverty threshold remains stable over time in real terms, the poverty rate during this period has been significantly reduced. For example, the at-risk-of-poverty rate for the year 2010 (20.1%), calculated using the poverty threshold for the year 2005 (60% of the median income for 2005 expressed in 2010 prices, on the basis of the harmonized index of consumer prices) would be only 16.0%, i.e. 4.1 percentage points lower. In other words, 16% of the population in 2010 would be considered as being at risk of poverty under the conditions prevailing in 2005. However, the corresponding poverty rate for the following year (2011) climbed to 22.9%, suggesting that only in a single year in the current crisis the poverty rate in absolute terms increased by 6,9 percentage point (or by 43.1%).

Similar conclusions are reached by the studies of Matsaganis and Leventi (2011, 2012) using tax-benefit microsimulation techniques in order to provide estimates of the impact of the austerity measures and the concomitant decline in economic activity on aggregate inequality and poverty. They conclude that the austerity measures undertaken by the Greek government were progressive but had small redistributive effect in relative terms and very important in the absolute poverty. While the authors argue that austerity measures contribute to the crisis, they highlight the significant role of more fundamental problems of the Greek economy such as the weak production structure, low competitiveness, etc.<sup>6</sup>

Other poverty indices reach similar conclusions. The relative at-risk-of-poverty gap is the difference between the poverty threshold of the total population and the median equivalised income of persons below the poverty threshold, expressed as a percentage of at-risk-of-poverty threshold. This indicator is estimated at 26.1% of at-risk-of-poverty threshold, which means that 50% of the poor have an income higher than 73.9% of this threshold (6,591 euros), that is to say more than 4,870 euros, yearly per person. The highest relative at-risk-of-poverty gap (27.4%) is recorded among children aged 0-17 years, while for persons aged 65 years and over the corresponding percentage is 21.1%.

A much higher percentage of the population at risk of poverty or social exclusion (ie severely materially deprived or living in a household with low work intensity) that is 31.0%, is estimated in the survey for 2011 which corresponds to 3,403,000 people (EU-27: 24.2%). The risk of poverty or social exclusion is higher for persons, aged 18-64 years old (31.6%), while it is estimated at 29.7% for nationals and at 58.3% for foreigners.<sup>7</sup>

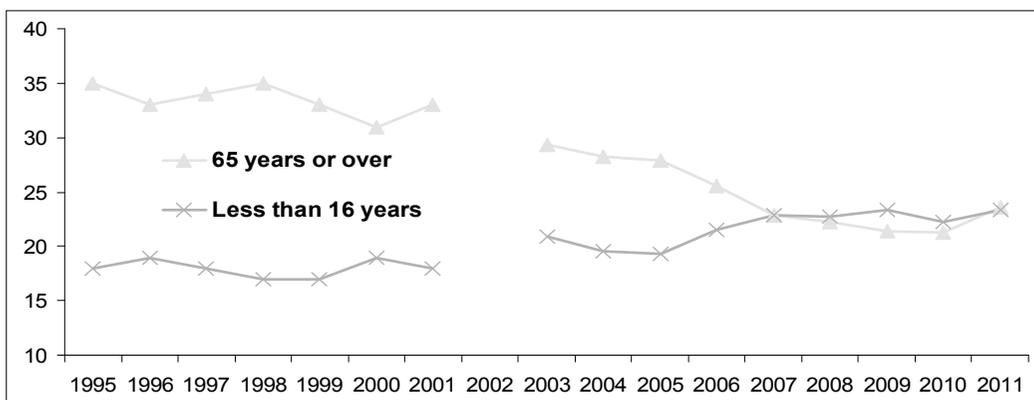
Moreover, people living in households with very low work intensity (none is working or works less than 3 months in total) amounted to 837,300 persons while in the previous year (2010) they were 544,800 persons, ie increased by 53.7% compared to the previous year. Individuals living in households with very low work intensity, aged 18-59 years old, are estimated at 13.2% for total population, 11.9% for men and 14.5% for women.

Finally, an examination of the indicators of living conditions in Greece shows that material deprivation (difficulties in meeting basic needs, poor housing conditions, housing costs, inability to repay loans or instalments for purchases, difficulty in paying bills, difficulties in meeting ordinary needs, quality of life) concerns not only the poor, but also a significant part of the non-poor population. For example, the percentage of population living in a house with limited space stands at 25.9% in total, 23.2% for the non-poor population and 35.8% for the poor population. Similarly, 24.9% of non-poor population faces difficulties to finance extraordinary but necessary expenditure of around €600, while the corresponding percentage for the poor population is estimated at 69.5%. Moreover, 18.7% of the total population declares inability to keep home adequately warm, while the corresponding percentage of the poor population is estimated at 38.9% and the percentage of the non-poor population is estimated at 13.7%.

### ***3.2 Groups at high risk of poverty and changes in the composition of poor population***

In Greece, groups at high risk of poverty according to the latest data from EU-SILC 2011 include principally the unemployed (44.0%), particularly unemployed men (48.4%, increased by 10 percentage points compared to previous year, when it was 38.5%), single-parent households with at least one dependent child (43.2% compared to 33.4%), households with one adult over 65 years of age (29.7% from 30.1%), economically inactive persons excluding pensioners (30.0% compared to 27.4%), households with 3 or more adults with dependent children (24.7% from 29.3%), households living in rented accommodation (25.9% from 27.2%) and children 0-17 years of age (23.7%).

Poverty in Greece in the recent years seems to have shifted away from the elderly towards younger couples with children and young workers. In particular, the percentage of children up to 15 years living in households which are below the relative poverty threshold rose to 23.3% in 2011 (EU-27: 20.3%), from 19.3% in 2005 which is about two percentage points higher than the corresponding percentage for the whole population. By contrast, the poverty rate among the elderly (aged 65 years or over) fell down sharply, to 23.6% in 2011 (EU-27: 16.0%) from 27.9% in 2005 (Graph 3). Moreover, the low and declining poverty rate in the case of temporary employment (2011: 8.9%) as well as in the case of part-time employment (2011Q 21.4%), means that the recent flexible forms of employment do reduce poverty (see Table 1).

**Graph 3. Inter-temporal trends in poverty rate for elder and children**

Source: Eurostat (ECHP, EU-SILC).

After the return to democracy in 1974, a similar shift of poverty took place from rural to urban areas and from the less educated (e.g. people who have not completed primary school) to those with medium and higher education (e.g. secondary school graduates). The erstwhile particularly high share of farmers in total poverty decreases considerably in the latest years due to agriculture contraction, population ageing and the payment of contribution-based pensions to the new retired farmers. The shift of poverty from the less educated to higher levels of education reflects mainly an improvement in the population's education level ("educational maturity") rather than a lower probability for people of a low education level to find themselves below the poverty line (see, Bank of Greece, Annual Report 2008, Box VI.I).

However, research for Greece has concluded that the probability of poverty is dramatically reduced as the educational level of the household's head rises, while policies aimed at reducing educational inequalities are bound to limit economic inequalities and poverty in the long run. The probability of poverty for households whose head has not completed primary education is 3.4 times greater than for the entire population.

The magnitude of child poverty is a matter of concern. In the last few years most countries increasingly recognise the existence of the problem of child poverty. This fact relates to the considerable size of the problem, which is steadily growing. As relevant UNICEF reports point out that around 50 million children in the developed world (the OECD countries) live below the poverty line. According to the recent report published by Eurostat based on data from the EU-SILC survey, in the EU27 children are at greater risk of poverty or social exclusion than the rest of the population (Eurostat, 2013a).<sup>8</sup> In 2011, 27% of children aged less than 18 were at risk of poverty or social exclusion in the EU27, compared with 24% of adults (aged 18-64) and 21% of the elderly (aged 65 and over). Almost one child in two with parents of low educational level and almost one child in three with a migrant background is at risk of poverty in the EU27.

In Greece, based on EU-SILC data, a rise in child poverty rates is recorded after 2002. In fact, unlike what happened in most other EU countries, the rate of children aged 15 or less living below the relative poverty line in Greece rose by 3 percentage points in 2006 and by one further percentage point in 2007, reaching 23% from 19% in 2005. Based on 2011 data, around 450,000 children in Greece live in poor households.

Reducing the child poverty risk should henceforth be placed at the heart of social policy concerns. The adoption of measures aimed at improving the educational level of mainly the population's poorer sections is practically bound to help limit child poverty. Furthermore, based on research findings, it is estimated that a reduction of uninsured employment and a fast inclusion of economic immigrants into the country's social and economic life will most probably reduce the size of child poverty. Similar results can be created by policy measures supporting the access of young couples with children to employment and high-quality jobs. Consequently, combating child poverty requires multifaceted actions that not only increase monetary social benefits, but also provides services (in the fields of education, health, social security, culture, etc.) and facilitate the access (of poor families with children) to social services and primarily to the labour market.

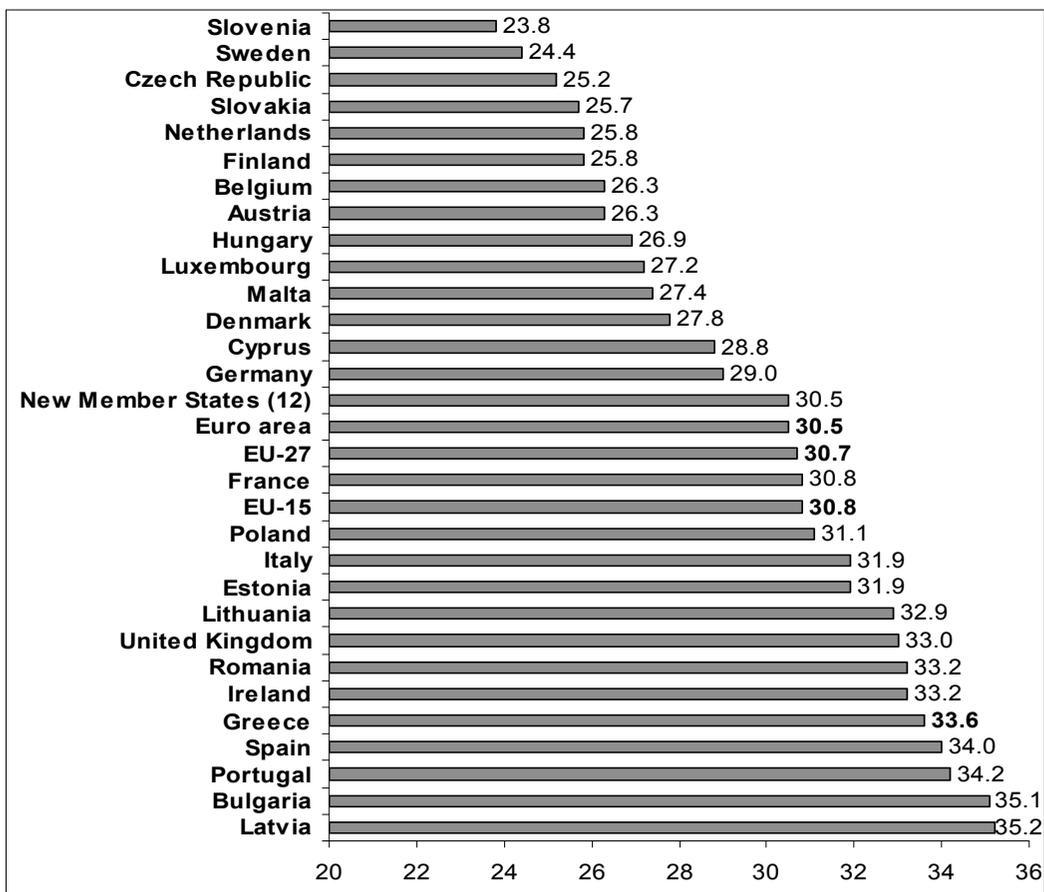
Finally, the disparity and divergence in child poverty rates among EU countries can be seen as signalling an objective economic problem for the sustainability of the union. A high level of child poverty is synonymous with an investment deficit that is simultaneously cause and effect in a vicious circle of underperforming labour markets and education systems. If members of the EU get trapped into such a vicious circle, we could be confronted with an objective problem for the long-term sustainability of the monetary union.

### ***3.3 Income inequality indices***

Greece entered the global economic crisis already facing high levels of income inequality. With highly increased unemployment and lower returns of capital, the crisis not only weighted heavily on incomes from work and capital but also made the income distribution in these countries more unequal. In the first three years of the crisis, the inequality in income from work and capital according to OECD (2013) estimates increased as much as in the previous twelve.

For cross country comparisons as well as the analysis of the inter-temporal changes in inequality, the Gini coefficient is the most common indicator used. This inequality index is relatively more sensitive to changes around the median of the distribution instead of other indices which are relatively more sensitive to changes near the top or the bottom of the distribution (e.g. the Atkinson index).

Greece has a poor ranking among EU countries also in terms of income inequality. According to Gini coefficient values presented in Graph 4, Greece together with Latvia, Bulgaria, Portugal and Spain ranks among the five EU countries with the higher rates of inequality. In particular, the EU-SILC 2011 survey indicates Gini coefficient 33.6 (incomes of 2010) for Greece instead of 30.7 for the average of EU-27 countries.

**Graph 4. Income inequality in EU countries: GINI 2011**

Source: Eurostat (EU-SILC).

Moreover, the wealthiest 20% of the country's population holds a 6.0 (2009: 5.6) times higher income share than the income of the poorest 20% of the population (S80/S20 indicator), while the value of this ratio is 5.1 (2009: 5.0) for EU-27 as a whole (see Table 1).

It should also be noted that the pay for male employees in Greece is 12.7% higher than the corresponding pay for women (7% in the public sector and 19.6% in the private sector).<sup>9</sup>

### **3.4 Inequality decomposition by population group and income sources**

Regarding the structure of inequality, contrary to what is often claimed during public debates, economic inequalities are much more (almost by 75%) attributable to differences within the various socioeconomic population groups (broken down based on demographic, geographical, occupational, educational and other criteria) than to differences between these groups.<sup>10</sup> From a substantive point of view, the estimates of Graph 5 using equalized income from Household Budget Survey of 2011, confirm earlier results that inequality in Greece emanates primarily from disparities "within" rather than "between" population groups.<sup>11</sup> These results, which remained unchanged when different

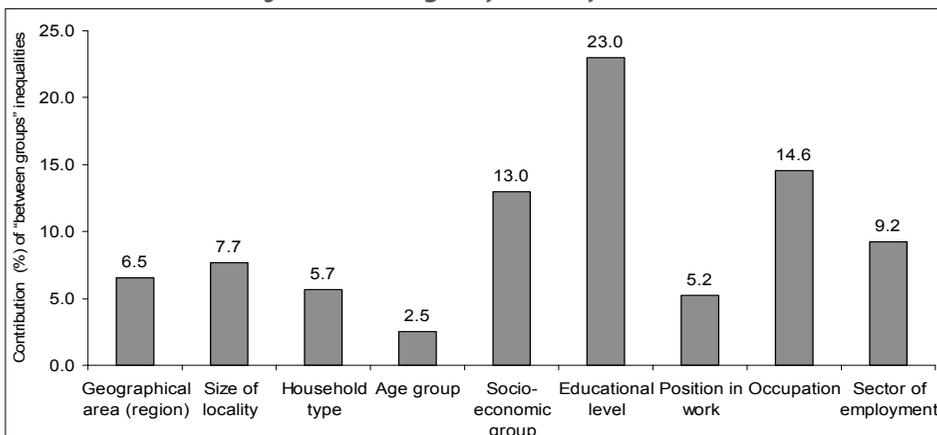
population subgroups, inequality measures, equivalence scales and reference units were used, also remained consistent over time (Tsakloglou, 1993, Mitrakos and Tsakloglou, 2000, 2006, 2012, Mitrakos, 2004). More specifically, when dividing the population by region of residence, size of locality, demographic characteristics and occupational status of the household head, within-group differences were found to be accountable for over 85% of aggregate inequality. Thus, no matter how much funding is allocated to completely eliminating the between-group differences, aggregate inequality will not be contained by more than 15% as long as within-group differences remain unchanged.

Since inequality stems primarily from differences within the various socioeconomic groups, policies aimed at alleviating inequality should be “general” rather than “specific”. General policies (for instance, tax policies, general welfare policies, etc.) apply to the entire population and do not take specific group characteristics into account. Although specific policies (such as regional or agricultural policies) may be warranted for other reasons, this analysis indicates that they are not very effective in reducing economic inequality.

However, when the population is broken down into 5 groups depending on the household heads’ education level, nearly one fourth of aggregate inequality is attributed to disparities between these education-level groups. That means that education remains over time the major factor for reducing inequality and poverty educational inequalities seem to be much more closely linked to economic inequalities than other demographic and socioeconomic factors (occupation, age, household size and composition, area of residence, gender, etc.). In other words, educational inequalities alone account for almost one fourth of total inequality.<sup>12</sup>

Consequently, policies aimed at reducing the educational inequalities are bound to help limit economic inequalities and poverty in the long run. Such policies may aim at increasing the number of years of mandatory education and decreasing the school dropout rate; encouraging the participation of the population’s poorer sections in the non-mandatory levels of education; keeping the schools and universities “open” and reducing the thousands of lost teaching hours; limiting the phenomenon of “substitute education” (reliance on costly private preparatory schools and lessons for entry in the country’s tertiary education institutes) and supporting the state-run schools, which are attended by the population’s poorer sections; etc.

**Graph 5. Inequality decomposition by population group: Contribution (%) of “between groups” inequalities**



Source: Processing of micro data from HBS 2011, ELSTAT.

In the rest of this section, total income inequality is decomposed into individual income sources. The variable used for the measurement and decomposition of inequality is household's current income as is derived from the micro- data of the HBS conducted by ELSTAT in 2011. The question examined by this decomposition is how much each individual source of income contributes to overall inequality or in other words, what is the weight of individual sources in the overall level of inequality. In this, as in most empirical studies, overall inequality decomposition by income source is mainly based on the decomposition of the Gini coefficient following the Pyatt, Chen and Fei (1980) methodology. The coefficient of variation is also used in the analysis and hence the results are tested in terms of the sensitivity of measurement and decomposition inequality indices in the various parts of the distribution.<sup>13</sup>

As illustrated by Pyatt, Chen and Fei, the overall inequality depends on the degree of inequality of each income source, the extent of correlation between the income of each source and overall income and the importance of the income of each source in the total income (weight). Thus, the elasticity of the Gini coefficient,  $e_i$  to each income source can be easily calculated as follows:

$$e_i = w_i g_i - w_i,$$

where  $w_i$  is the income share of the  $i$  income source,  $g_i$  is the relative concentration coefficient of this income source and  $w_i g_i$  is the factor inequality weight of the  $i$  source in overall inequality. This equation yields the per cent change in the Gini coefficient of total income distribution, which stems from a per cent change of the mean income in the  $i$  income source. The sum of all the aforementioned elasticities is always equal to zero, since an equal per cent increase in the incomes of all sources does not change overall income inequality or the Gini coefficient (mean independence property). Similarly, following Shorrocks (1982) one can achieve inequality decomposition by income source also on the basis of the coefficient of variation.<sup>14</sup>

On the basis of the Gini index and the coefficient of variation, Table 2 presents the estimates of the elasticities of overall inequality to changes in each income source. The first column describes the individual sources of income, while the second column presents income shares (per cent) of these sources. The total income is broken down into salaries and wages from the main and secondary job (including Christmas and Easter bonuses and vacation benefit), self-employment income and income from businesses (excluding agricultural income), agricultural income, capital income (including rents, income from interest and dividends), income from main and supplementary pensions, and all transfers or benefits (family allowances, unemployment benefit, sick-pay, maternity benefit, housing benefit, marriage allowance, scholarships and financial assistance from relatives and friends, etc). According to the data, salaries and wages constitute the main source of total income (contribution rate: 33.6 per cent), followed by pensions (20.2 per cent), capital income (19.2 per cent) and self-employment income (17.5 per cent).

The results of the estimates of elasticities in the third column of Table 2 show that a 10 per cent decrease in self-employment, capital or salaries-wages income decreases the Gini coefficient by 0.78, 0.35 or 0.40 per cent, respectively. On the other hand, pensions, agricultural incomes and transfers seem to have a significant effect on the increase in overall inequality. A proportional decrease of 10 per cent, for instance, in all agricultural incomes, pensions or transfers would lead to an increase of 0.48, 0.52 or 0.65 per cent, respectively, in the Gini coefficient. This result is very important, given that agricultural income and transfers constitute only 5.2 per cent and 4.2 per cent respectively, of total income.

The importance of the index chosen for the decomposition of overall inequality is evidenced by the results of the last column of Table 2, where the elasticities of the coefficient of variation

are presented. The previous results are valid irrespective of the inequality index and the inequality weighting system (sensitivity of index) in the various parts of income distribution. However, the direction of the salaries' and wages' contribution to overall inequality is very sensitive. It depends on the inequality index used in the analysis. Indeed, the elasticity of wages and salaries to overall inequality changes from 0.040 in the case of Gini to -0.035 using coefficient of variation. It is obvious that the results of the analysis do not clearly demonstrate whether the cuts in wages and salaries since 2011 have led to an increase or decrease in overall inequality.

The previously mentioned findings are particularly enlightening. The results of the analysis show that economic policies aimed at uniformly strengthening agricultural incomes, pensions and transfers to households and/or proportionately limiting self-employed and capital income would reduce income inequality. This is accounted for by the relatively larger contribution of the former incomes to the total income of the poorer households as well as the relatively higher contribution of the latter incomes to the total income of the richer households. Owing to the relatively larger contribution of wages and salaries to middle income brackets, the size and direction of their contribution to overall inequality is not identifiable. Furthermore, the recent abolition of Easter, Christmas and holiday bonuses as well as other benefits in the public sector is estimated to have targeted mainly middle income brackets, with doubtful redistributive effects as a whole.<sup>15</sup>

## 4. The Greek social solidarity system and the poor distributional impact of social benefits

**D**uring the current economic crisis, a significant part of fiscal consolidation efforts in EU countries weighed on social protection expenditure. While social spending played a prominent role in compensating households' income losses in the early phase of the crisis (until 2009), and helped stabilise the economy; this impact has been weakening since mid-2010 and was negligible in 2012. After an initial increase in the first year of the crisis, social expenditure levelled off in 2010 and declined in 2011 and 2012, even in countries where unemployment kept rising. This reduction of social spending was much stronger than in past recessions, partly reflecting the exceptional need for fiscal consolidation in the context of the euro crisis (European Commission, 2013).

Social transfers vary substantially across the EU countries (Eurostat, 2013b). As it comes from earlier studies, these transfers help to reduce both inequality and poverty in all countries, but with significant cross-country differences. The distributional impact of these transfers is greater in countries that spend a higher proportion of income on them, but there are also other important determinants, including the distribution of funds between different types of transfers as well as the degree of targeting for each transfer. The most important type of social transfer is pensions and they have the highest individual contribution to reducing inequality and poverty. Nevertheless, the non-pension social transfers are concentrated towards the bottom of the distribution to a larger extent than pensions and, in all non-Southern countries, the combined contribution of the non-pension social transfers in reducing inequality is larger than the corresponding contribution of pensions (Heady, Mitrakos and Tsakloglou, 2001, Matsaganis, 2011, Dafermos and Papatheodorou, 2012).<sup>16</sup>

The redistributive effect of the social benefits of the fragmented Greek welfare state is limited compared to the other EU countries. In addition to the extent of the available resources, there are also other important factors affecting the effectiveness of social expenditure, such as the composition of social benefits and the degree to which they are targeted towards those who should really be entitled to them, i.e. the economically weaker social groups which are in greater need. Particularly,

the bulk of social expenditure in the Mediterranean countries corresponds mainly to pensions and, to a lesser extent, to non-pension social transfers such as the social benefits (unemployment, disability, welfare, sickness, housing, family, etc.), which are more “progressive”, in the sense that they are more supportive of those in the lower income brackets.<sup>17</sup> Furthermore, the remaining limited resources made available for social expenditure do not reach those that should benefit from them. Indicatively, the poorest 10% of the population receives 6.6% of social transfers (excluding pensions), whereas 12.5% goes to the medium income brackets and 7.4% to the richest 10% of the population. This obviously does not ensure a minimum living standard for the poor and the underprivileged households, while the fragmented and bureaucratic social expenditure system is prone to create *de facto* discrimination among the various categories of beneficiaries. Consequently, strengthening and improving the targeting of social expenditure towards families in relatively greater economic need is a matter of social justice that should contribute to a reduction of economic inequalities and poverty. Social dialogue on the issue of redefining the population groups that really deserve social support should audaciously be launched, as it would certainly contribute considerably to the improvement of the effectiveness of social expenditure in Greece.

However, it should be mentioned that, although the distributional impact of social benefits in Greece remains limited, it has improved in the recent years. The reduction of poverty on account of total social expenditure came to just 23.5 percentage points (20.1 on account of pensions and only 3.4 on account of social transfers) in Greece, compared with an EU average of 27.3 percentage points (17.9 attributable to pensions and 9.4 to social transfers, see Table 1). It should be pointed out, however, that the above efficiency ratio has improved over the past few years in Greece, as it rose from 19.6 percentage points in 2005 to 23.5 in 2011. This improvement is considered to be associated with the significant increase in social expenditure as a percentage of GDP (2005: 24.9%, 2010: 29.1%). Moreover it can be attributed mainly to the poverty-mitigating effect of pensions (from 16.6 percentage points in 2005 to 19.6 in 2011), given the significant increases in minimum pensions and the Social Solidarity Pension Supplement (see Table 1).<sup>18</sup>

## 5. Conclusions and some policy remarks

**F**iscal tightening has affected employment in EU countries through both public sector employment and aggregate demand channels. Changes to the tax and benefits systems and cuts in public sector wages have led to significant reductions in the level of real household disposable income, putting a heavy strain on the living standards of low income households in particular. Figures for 2011 indicate that, among different population subgroups, it is the unemployed, the inactive, single parent families and non-EU migrants who face the greatest risks of poverty or exclusion. Among age groups, children and young adults are more at risk than others, while with regard to skill levels it is the low-skilled who face a much higher risk. Moreover, the crisis has not impacted uniformly across the whole population and has often led to an even worse situation for these groups already at high risk before the crisis. The recent analysis of European Commission shows that the design of measures is crucial to avoid that low income households are affected disproportionately. Different fiscal consolidation packages impacted differently on high and low income households, with regressive impacts in a few countries (European Commission, 2012a, 2012b, 2013).

Various international comparisons, as well as the present study, show that the level of inequality and (relative) poverty in Greece were and remain substantially higher than in most developed countries (OECD, 2008, 2013). In the course of the fiscal crisis and the deep recession,

some negative developments, primarily the dramatic rise in unemployment (from 7.2% in the second and third quarter of 2008 to 27.0% in February of 2013), are estimated to have contributed to an exacerbation of relative poverty and economic inequality in Greece. It should be pointed out that the significant increase in the number of the unemployed (from 355 thousand in the third quarter of 2008 to more than 1,320 thousand in February of 2013) comes on top of other, even more alarming parameters. For example, unemployment has already reached the core of the social fabric, as the share of unemployed persons that report themselves as “heads of household” has increased by more than five percentage points in the last three years.

As only 29.4% of the registered unemployed in the records of the Public Employment Agency in December 2012 received some kind of unemployment benefit, it is estimated that the extension of the grant period and mainly the widening of the group of beneficiaries of this subsidy to other unemployed people, such as professionals, traders because of the crisis stopped their self-employed professional activity are measures that could help to maintain social cohesion.

The available data on the first two years of the crisis (2009 and 2010), indicate that income inequality and *relative* poverty increased, yet not dramatically, during the current crisis, although the composition of the poor population changed considerably. However, the sharp decline in disposable income led to a significant deterioration in economic prosperity and *absolute* poverty, i.e. when the poverty line remains stable in real terms. Most of the austerity measures undertaken by the Greek government were progressive and had small redistributive effect in relative terms but very important in the absolute poverty. Hence, there is a clear need to strengthen specific features of the safety net, to assist those most affected by the crisis. Job training programs and income support programs for the unemployed both need to be geared up, leveraging European Community funds where available. The need of a policy launching an investment programme for growth and employment is now more than obvious.

Initial estimates from this study as well as Matsaganis and Leventi’s simulations of income distribution after 2010 reveal that similar trends continue worsening the previous bad social conditions during the last years of the current crisis (since 2011). However, given that detailed data on incomes after 2010 are not yet available (last available data come from household surveys of 2011 monitoring the income of the previous year), it is difficult to draw safe conclusions on how the dimensions of inequality and poverty have developed in more recent years. Certain developments during the current fiscal crisis and recession most probably were not in the direction of reducing poverty and economic inequalities. Such developments were the significant increase in the unemployment rate, particularly in respect to youth unemployment, the rise in VAT and the Excise Duties (Special Consumption Tax) on alcohol, tobacco and heating oil, which caused the purchasing power of poorer households that consume a larger share of their income on such products to erode further. On the other side some other developments, which also characterise periods of sharp economic recession, may have a dampening effect on social indicators. Such developments include, for example, the significant decrease in profits, which are an income source mostly of wealthier persons, and the one-off extraordinary levy usually imposed on higher incomes, profitable firms and large real estate property. Such measures were certainly progressive in nature, in the sense that they targeted higher income brackets relatively more than lower ones. Moreover, implementing a more progressive tax scale, abolishing separate taxation on certain incomes and other special tax regulations and tax exemptions, broadening the tax base and curtailing tax evasion are expected to yield in progressive in nature results. Moreover, policy to prevent or combat the current adverse situation must be targeted to specific vulnerable groups, enhance their human capital and facilitate their access to the labour market.<sup>19</sup>

Regarding the structure of inequality, results from decomposition analysis confirm previous results suggesting that, unlike what is often mentioned in the public discourse, inequality emanates primarily from differences “within” rather than “between” socioeconomic groups. Less than a fourth of total inequality is attributed to disparities “between” groups. As a policy implication, policies aimed at alleviating inequality should be “general” (tax policies, general welfare policies, etc.) rather than “specific” taking specific group characteristics into account. Although specific policies (such as regional or agricultural policies) may be proposed for other reasons, this analysis indicates that they are not very effective in reducing economic inequality. However, education remains over time the major factor for reducing inequality and poverty, due to the fact that educational inequalities seem to be much more closely linked to economic inequalities than other demographic and socioeconomic factors (occupation, age, household size and composition, area of residence, gender, etc.).<sup>20</sup>

Finally, the system of social solidarity in Greece is flawed and characterised by considerable leaks.<sup>21</sup> For instance, among households with dependent children and no employed members the poverty rate rises to 54%. The existing social solidarity system unfortunately does not provide anything for unemployed once the relatively short period of unemployment benefit collection lapses, similarly to many other vulnerable groups. No matter how much the existing system’s targeting improves, these people will remain well below the poverty line. A solution could be to establish a universal and at the same time selective measure (on the basis of income), aimed at eliminating extreme poverty and ensuring for all a minimum income and living standard, not necessarily on a compensatory basis.<sup>22</sup> The implementation and management of such a universal measure in the case of Greece would address, in addition to the issue of cost, some serious practical problems, mainly as regards the identification of the persons really entitled to the relevant benefits. However, a pilot-phase implementation of such a selective programme for ensuring a minimum living standard for all would allow for a systematic examination of its crucial management problems, just as was the case in other South-European countries that, one after the other, proceeded to the establishment of such a programme. Successful pilot-phase implementation of such a programme requires cooperation between different sections of the state mechanism, but also the involvement of local governments and the “civil society”. In any case, the identified social policy measures should not destroy the very important contribution of informal social network solidarity (Lyberaki and Tinios, 2012).

In any case, the experience of European countries shows that the adoption of policies that are indeed universal but also targeted towards groups facing a high risk of poverty and/or social exclusion can reduce economic inequalities and poverty. The introduction of a similar measure for the sensitive population of the pensioners had outstanding results in Greece. After the introduction of a pension for the uninsured elderly there are no leaks in the network of their social protection, as everyone now receives some kind of pension. This measure, combined with the remarkable rises in minimum pensions and in the EKAS, has most probably contributed considerably to the notable reduction of the poverty rate recorded in the group of the elderly in Greece in the last decade before the current crisis.

Finally, although in EU level in recent years an important attempt to fight macroeconomic and fiscal imbalances took place, excessive social imbalances remain and social problems affect Member States very differently creating a pattern of divergence. These social imbalances - with youth unemployment and child poverty two important examples - should be a matter of common concern for the European Union as a whole. If not, the credibility of the European project is at stake and the Union will lose its trust-based legitimacy that will be needed to perform better in the future.

Table 1. Selected indicators of social cohesion

Indicator	Greece							EE-15 <sup>(1)</sup>	EE-27 <sup>(1)</sup>
	2005	2006	2007	2008	2009	2010	2011		
<b>I. Risk of poverty</b>									
1. At-risk-of-poverty rate									
1.1 Total population	19.6	20.5	20.3	20.1	19.7	20.1	21.4	16.7	16.9
a. People aged 65+	27.9	25.6	22.9	22.3	21.4	21.3	23.6	16.1	16.0
b. Children aged 0-15	19.3	21.5	22.8	22.7	23.4	22.3	23.3	19.5	20.3
c. Single-parent households	43.5	29.6	34.2	27.1	32.1	33.4	43.2	34.7	34.5
d. Two adults with 3 or more children	32.7	38.0	29.7	27.2	28.6	26.7	20.8	24.0	25.9
1.2 In-work poverty	12.9	13.9	14.3	14.3	13.8	13.8	11.9	8.5	8.9
a. Part-time employment	24.1	26.1	27.2	26.0	26.9	29.4	21.4	12.1	13.5
b. Temporary employment	17.4	18.2	19.0	15.9	15.1	13.4	8.9	13.7	13.2
1.3 Unemployed	32.6	33.3	35.9	37.0	37.9	38.6	44.0	45.1	45.1
2. At-risk-of-poverty gap <sup>(2)</sup>									
Total population	23.9	25.8	26.0	24.7	24.1	23.4	26.1	22.5	23.3
a. People aged 65+	23.7	24.4	24.2	20.8	14.7	14.6	21.1	16.4	16.6
b. Children aged 0-15	22.5	25.7	30.0	26.5	26.4	27.3	27.8	23.5	24.4
3. At-risk-of-poverty line (in euro)									
a. Single-member households	5,650	5,910	6,120	6,480	6,897	7,178	6,591	...	...
b. Two adults with two children	11,866	12,411	12,852	13,608	14,484	15,073	13,842	...	...
<b>II. Inequality indicators</b>									
1. Gini coefficient	33.2	34.3	34.3	33.4	33.1	32.9	33.6	30.8	30.7
2. S80/S20 ratio <sup>(3)</sup>	5.8	6.1	6.0	5.9	5.8	5.6	6.0	5.1	5.1
<b>III. Social welfare</b>									
1. Social expenditure, % of GDP									
Total	24.9	24.7	24.8	26.3	28.0	29.1	...	30.3	29.5
a. Pensions	12.2	12.1	12.3	12.7	13.4	13.9	...	13.3	13.1
b. Social transfers	12.7	12.6	12.5	13.6	14.6	15.2	...	17.0	16.4
2. Reduction in the at-risk-of-poverty rate:									
Social expenditure (total)	19.6	20.0	21.6	21.4	22.3	22.7	23.5	25.8	26.3
a. Pensions	16.6	17.1	18.2	18.2	19.3	19.0	20.1	16.1	17.1
b. Social transfers	3.0	2.9	3.4	3.2	3.0	3.7	3.4	9.7	9.2

Source: Eurostat (EU-SILC).

1. Data for the EU-15 and EE-27 are estimates and refer to the latest available year (2011 survey year, data referring to the earnings of 2010).

2. The relative at-risk-of-poverty gap is the difference between the at-risk-of-poverty threshold of the total population and the median equivalised income of persons below the poverty threshold, expressed as a percentage of this threshold.

3. Share ratio, defined as the ratio of total income received by 20% of the households with the highest income (highest quantile) to that received by 20% of the households with the lowest income (lowest quantile).

**Table 2. Inequality decomposition by income source**

Income source	Income shares	Elasticity of Gini coefficient	Elasticity of coefficient of variation
Wages and salaries	33.6	0.040	-0.035
Self-employment	17.5	0.078	0.090
Agriculture	5.2	-0.048	-0.062
Capital	19.3	0.035	0.038
Pensions	20.2	-0.052	-0.060
Transfers	4.2	-0.065	-0.064
TOTAL	100.0	0.000	0.000

Source: Processing of micro data from HBS 2011, ELSTAT.

## Notes

- \* Bank of Greece, Division of Economic Research. The views expressed herein are those of the author and do not necessarily reflect the views of the Bank of Greece.
1. Many aspects of inequality, poverty and the redistributive role of the state have been investigated by studies in the case of Greece. Among them see, Matsaganis and Leventi (2011, 2012), Tsakloglou (1990, 1993), Tsakloglou and Panopoulou (1998), Mitrakos and Tsakloglou (2000, 2006, 2012), Mitrakos (2004, 2008), Lyberaki, Tinios and Georgiadis (2010).
  2. However Mitrakos (2008) using data from the Household Budget Survey 2004/05 found that the child poverty was considerably lower on the basis of the distribution of expenditure than on the basis of income. A possible explanation, according to economic theory, is the presence of a smoothing mechanism for short-term fluctuations in income incorporated into the distribution of expenditure. In other words, while a household's income changes rather frequently; its consumption expenditure tends to remain stable over a longer period of time or at least changes at a slower pace. Thus, during an economic downturn, households are often able to avoid poverty by maintaining their consumption expenditure at the previously higher levels, in relation to their declining income.
  3. EU-SILC is part of a European Statistical Programme to which all Member States participate and which replaced in 2003 the European Household Panel Survey with a view to improving the quality of statistical data concerning poverty and social exclusion. For further information please visit ELSTAT's webpage - Survey on Income and Living Conditions. See also Eurostat (2010) Statistical Books.
  4. See ELSTAT Press Release of 2 November 2012.

5. Tsakoglou and Mitrakos (2012) examining the entire period after the restoration of democracy in Greece and using HBS' data show that, unlike what is usually heard in the public discourse, overall, relative poverty declined non-monotonically in the period 1974-2008 and the changes are larger when indices other than the poverty rate are utilized. Taking into account that the average living standard improved markedly during the period under examination it is not surprising that where the poverty line is held constant all indices record a spectacular decline in poverty. These results are also confirmed using ECHP and EU-SILC data.
6. Matsaganis and Leventi (2011, 2012) use the Greek section of the European microsimulation model EUROMOD in order to estimate the impact of the austerity measures on social indicators. This model depicts the payments made by the households to the state in the form of direct and indirect taxes (accounting for tax evasion) and social insurance contributions, as well as the monetary public transfers to the households (pensions, other social insurance and social assistance benefits). As a result of these changes, the Gini index declines by 0.3% between 2009 and 2010, the relative poverty rises from 20.1% to 20.9% but when the poverty line is fixed at its 2009 level in real terms, there is a substantial increase in poverty from 20.1% to 25.1%, while considerable changes are observed regarding the structure of poverty.
7. According to Eurostat definition, persons at risk of poverty or social exclusion are those falling into at least one of the following three conditions:
  - Persons at-risk-of-poverty live in a household with an equivalised disposable income below the risk-of-poverty threshold, which is set at 60% of the national median equivalised disposable income (after social transfers). The equivalised income is calculated by dividing the total household income by its size determined using the following weights: 1.0 for the first adult, 0.5 for each other household member aged 14 or over and 0.3 for each household member aged under 14.
  - Severely materially deprived persons have living conditions constrained by a lack of resources and experience at least 4 out of the 9 following deprivation items: cannot afford 1) to pay rent/mortgage or utility bills on time, 2) to keep home adequately warm, 3) to face unexpected expenses, 4) to eat meat, fish or a protein equivalent every second day, 5) a one week holiday away from home, 6) a car, 7) a washing machine, 8) a colour TV, or 9) a telephone (including mobile phone).
  - People living in households with very low work intensity are those aged 0-59 who live in households where the adults aged 18-59 on average worked less than 20% of their total work potential during the past year. Students are excluded.
8. In a majority of Member States, children are more affected by at least one of the three forms of poverty or social exclusion examined than the other age groups. See, Eurostat, Statistics in Focus, 4/2013.
9. The gender pay gap is the difference between the average gross hourly male and female earnings from salaried work, expressed as a percentage of the gross hourly male earnings. This indicator takes account of employees aged 16-64, who work more than 15 hours/week (EU-SILC data).
10. In order to examine the structure of inequality we use the mean logarithmic deviation, which allows the quantification of the contributions of disparities "within" and "between" population groups to aggregate inequality. According to Anand (1983) method of inequality decomposition by population group, the "within groups" component is the level of inequality that would have been recorded if the mean of each group's income became equal to the aggregate mean, while the "between groups" component of inequality is the level of inequality that would have been recorded if the income of the members of each group became equal to the

group mean but differences between group means remained intact. For the purposes of this analysis, the population of 2011 HBS is grouped into mutually exclusive and exhaustive groups using four alternative criteria: region, locality, household type, age group, socio-economic group, educational level and employment characteristics (position in work, occupation, sector of employment) of the household head.

11. The definition of income is wide and includes, apart from monetary income, the value of imputed incomes and expenditure (allowances in kind, imputed rents, consumption of own production, etc.).
12. Kantzara (2011) examines the ways education is related to social cohesion, mainly in sociology of education approaches. The notion of cohesion is used widely, while education is viewed as an important institution that contributes to cohesion by socialising the new members of society, providing them with knowledge and skills in order to facilitate their social participation. Sustaining however current societal organisation implies that social inequality is also reproduced.
13. Each inequality index corresponds to a different Social Welfare Function and, consequently, is more or less sensitive to transfers of different type. A group of inequality indices, among them Gini and the coefficient of variation, allows the decomposition of overall inequality and the estimation of the contribution of specific income sources to overall inequality. This property of certain inequality indices is utilised in this part of the study.
14. The coefficient of variation is the second most used indicator after the Gini coefficient for inequality decomposition by income source. The literature on the decomposition analysis of inequality by factor components is extensive. Among them see Adams (1994), Adams and He (1995), Paul (2004) and for an application to Greece, see Mitrakos (1998) and Aggelopoulou, Zografakis and Sypsas (2010).
15. These findings are robust, but have a serious drawback. They examine the impact of these policies on overall inequality unilaterally, regardless of the impact of such a policy on other very important economic variables such as inflation, unemployment and economic growth itself. In other words, the above results are valid, *ceteris paribus*. Such an assumption is understandably restrictive. The results of the analysis, however, remain interesting, as they can help assess the impact of many different recent austerity measures on overall inequality, even if the other consequences of these policies are overlooked. Furthermore, it should be stressed that the aforementioned analysis aimed exclusively at investigating the impact of proportional (uniform) changes in incomes of the various sources on overall inequality. This, of course, is not the common practice in the various recent income cuts in the sense that they support the lower income brackets relatively more.
16. Dafermos and Papatheodorou (2012) utilize European macroeconomic data for the period 1994-2008 to estimate the determinants of aggregate relative poverty rate. They conclude that the main inhibitory forces of relative poverty are the per capita GDP and social transfers as percentage of GDP. They also argue that social democrat or corporatist social security systems are in this respect more efficient and so in the corresponding countries an increase in the per capita GDP reduces poverty more compared to Mediterranean or liberal countries. Exploiting these findings the authors anticipate that in Greece relative poverty and standards of living will not improve in the years to follow.
17. Social benefits in Greece include the social assistance (the allowance of social solidarity for pensioners –EKAS, a lump sum payment to poor households in mountainous and disadvantaged areas, allowances for children under 16 years old who live in poor households, allowances to repatriates, refugees, persons released from prison, drug-addicts, alcoholics, allowances

- to long-standing unemployed aged 45-65, benefits to households that faced an earthquake, flood etc.) and allowances such as family, unemployment, sickness, disability/invalidity benefits /allowances as well as the education allowances. Pensions include old-age pensions and survivor's pensions and benefits.
18. Social transfers (including pensions) represent 30.9% of total disposable income of the Greek households. Pensions account for a significant share of total disposable income, reaching 27.1%, while social benefits represent 3.8% of the disposable income (see, Press release, Hellenic Statistical Authority, November 2, 2012).
  19. See Bank of Greece, Monetary Policy Report 2010-2011 (Chapter III, Section 2.B).
  20. According to the international Classification of the Functions of Government and the recent data from Eurostat, the EU-27 general government expenditure on education amounted to 5.3% of GDP in 2011. The lowest ratios of government expenditure on education to GDP were observed in Bulgaria (3.6 % of GDP), Slovakia (4.0 % of GDP), Greece and Romania (both at 4.1 % of GDP). See, Eurostat (2013b).
  21. Lyberaki and Tinios (2012) discuss the characteristics and interactions between the formal and informal social security networks and show that the unchanging features of the formal sector contribute to the creation and deepening of crisis.
  22. Atkinson (2012) proposes the adoption of a basic income scheme, instead of a targeted social policy, which will be financed by a mix of intergenerational and vertical (higher taxation) redistribution. Moreover, he highlights the intergenerational character of current national debt which includes outstanding state pension rights, implying that economic and social policy should be considered under a unified prism, as any economic policy to overcome fiscal crisis will have intergenerational implications in many dimensions. The author argues that since debt burden can be shifted to future generations it is essential to establish an intergenerational compact.

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# Currency devaluation, external finance and economic growth: A note on the Greek case

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## Υποτίμηση νομίσματος, εξωτερική χρηματοδότηση και οικονομική μεγέθυνση: Μία σημείωση στην ελληνική περίπτωση

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### ABSTRACT

This paper combines dynamic input-output price models with Thirlwall's extended model of balance of payments constrained growth to estimate the effect of a switch to drachma on domestic income. The findings suggest that a return to national currency would not necessarily deepen the recession, although a rather large nominal devaluation, i.e. in excess of 57%-60%, is necessary for the recovery.

**JEL CLASSIFICATION:** C67, D57, E11, E12, F41

**KEY WORDS:** Drachma Devaluation; Greek Economy; Dynamic Input-Output Price Models; Thirlwall's Model

### ΠΕΡΙΛΗΨΗ

Το παρόν άρθρο συνδυάζει δυναμικά, τιμιακά υποδείγματα εισροών-εκροών με το διευρυμένο υπόδειγμα εισοδήματος-εξωτερικού ισοζυγίου του Thirlwall, προκειμένου να εκτιμήσει την επίπτωση μίας «επιστροφής στη δραχμή» στο ημεδαπό εισόδημα. Τα ευρήματα δείχνουν ότι η εν λόγω επιστροφή δεν θα εμβαθύνει κατανάγκην την ύφεση, καίτοι για την ανάκαμψη της οικονομίας είναι αναγκαία μία μάλλον μεγάλη ονομαστική υποτίμηση, δηλαδή πάνω από 57% με 60%.

**ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ:** Δυναμικά Τιμιακά Υποδείγματα Εισροών-Εκροών, Ελληνική Οικονομία, Υπόδειγμα του Thirlwall, Υποτίμηση Δραχμής

## 1. Introduction

It has repeatedly been stated that a Greek exit from the Eurozone will lead to a vicious circle of drachma devaluation, inflation, lack of capital inflows, monetary financing of deficits, and recession. Thus, the application of internal devaluation policies, such as reduction in government expenditures and cuts in unit labour costs in the private sector, seems to be the only available solution to the so-called Greek crisis.

In a recent paper, using simple dynamic input-output price models and data from the most recent (2005) Symmetric Input-Output Table of the Greek economy, it has been estimated that the short-run elasticity of the gross value of domestic production with respect to the nominal exchange rate is no greater than 0.186. Thus, a drachma devaluation of, say, 50% does not imply great inflationary 'pressures', as is commonly believed; rather it could increase the competitiveness of the economy (as measured by the real exchange rate) by about 37% and decrease the deficit of

the balance of goods and services by about 89% (Katsinos and Mariolis, 2012).<sup>1</sup> The purpose of the present paper is to estimate the *short-run* relationships between currency devaluation, external finance and growth for the Greek economy. In this effort, the basic price model of the aforementioned paper is combined with Thirlwall's extended model of balance of payments constrained growth (which includes both capital inflows and interest payments on external debt).<sup>2</sup>

The remainder of the paper is structured as follows. Section 2 presents the combined model. Section 3 applies the model using the available data of the Greek economy. Section 4 concludes.

## 2. The model

Thirlwall's extended model can be stated as follows:

$$PX - PI + PF = EP^*M \quad (1)$$

$$X = Q^{\eta_1} Y^{*\eta_2}, \quad Q \equiv (EP^*)P^{-1}, \quad \eta_1 > 0, \quad \eta_2 > 0 \quad (2)$$

$$M = Q^{\eta_3} Y^{\eta_4}, \quad \eta_3 < 0, \quad \eta_4 > 0 \quad (3)$$

where  $X$  denotes the volume of exports,  $M$  the volume of imports,  $P$  the domestic prices of exports,  $P^*$  the foreign prices of imports,  $E$  the nominal exchange rate (measured as the domestic price of foreign currency),  $I$  ( $> 0$ ) the real net interest payments,  $PF$  ( $> 0$ ) the nominal net capital inflows,  $Q$  the real exchange rate,  $Y^*$  the real foreign income,  $Y$  the real domestic income,  $\eta_1$  the price elasticity of demand for exports,  $\eta_2$  the income elasticity of demand for exports,  $\eta_3$  the price elasticity of demand for imports, and  $\eta_4$  the income elasticity of demand for imports. Equation (1) expresses the balance of payments constraint, and equations (2), (3) express the demand for real exports and imports, respectively.

Now, assume that (i) the production period is uniform across all industries; (ii) the input-output coefficients are fixed; (iii) there are no non-competitive imports; (iv) at least one commodity enters directly into its own production; and (v) the system is viable, i.e. the Perron-Frobenius eigenvalue of the irreducible and primitive  $n \times n$  matrix of total input-output coefficients,  $\mathbf{A}$ , is less than 1. On the basis of these assumptions we can write

$$\mathbf{P} = \mathbf{P}\mathbf{A} + \mathbf{v} \quad (4)$$

or

$$\mathbf{P} = \mathbf{P}\mathbf{D} + \mathbf{E}\mathbf{P}^*\mathbf{G} + \mathbf{v} \quad (4a)$$

where  $\mathbf{P} \equiv [P_j]$  ( $> 0$ ) denotes the stationary price vector of domestically produced commodities,  $\mathbf{D}$ ,  $\mathbf{G}$  the irreducible and primitive matrices of domestic and imported input-output coefficients, respectively,  $\mathbf{A} \equiv \mathbf{D} + \mathbf{G}$ ,  $\mathbf{P}^*$  the *given* vector of foreign currency prices of the imported commodities,  $\mathbf{P} = \mathbf{E}\mathbf{P}^*$ , and  $\mathbf{v}$  ( $> 0$ ) the vector of gross values added per unit activity level. By solving equations (4)-(4a) for  $\mathbf{P}$  we obtain

$$\mathbf{P} = \mathbf{v}[\mathbf{I}_n - \mathbf{A}]^{-1} = (\mathbf{E}\mathbf{g} + \mathbf{v})[\mathbf{I}_n - \mathbf{D}]^{-1} \quad (5)$$

where  $\mathbf{g} \equiv \mathbf{P}^*\mathbf{G}$  and  $\mathbf{I}_n$  denotes the  $n \times n$  identity matrix. In order to analyze the effects of nominal exchange rate changes on prices we use the following well-known dynamic version of system (4a) (see, e.g. De Clementi *et al.*, 1988):

$$\mathbf{P}_{t+1} = \mathbf{P}_t\mathbf{D} + \mathbf{E}_t\mathbf{g} + \mathbf{v}_t, \quad t = 0, 1, \dots \quad (6)$$

where  $E_1 = (1+e)E_0$ ,  $e$  denotes the rate of devaluation, and  $\mathbf{P}_0 = (E_0\mathbf{g} + \mathbf{v})[\mathbf{I}_n - \mathbf{D}]^{-1}$  (see equation (5)). When, e.g.  $\mathbf{v}_t = \mathbf{v}$ , the solution of equation (6) is

$$\mathbf{P}_t = \mathbf{P}_0\mathbf{D}^t + (E_t\mathbf{g} + \mathbf{v})[\tilde{\mathbf{D}}]_{t-1} \quad (7)$$

where  $[\tilde{\mathbf{D}}]_{t-1} \equiv [\mathbf{D}^{t-1} + \mathbf{D}^{t-2} + \dots + \mathbf{I}_n]$ , and  $\mathbf{P}_t$  tends to  $(E_t\mathbf{g} + \mathbf{v})[\mathbf{I}_n - \mathbf{D}]^{-1}$  ( $< (1+e)\mathbf{P}_0$ ) as  $t$  tends to infinity, since the Perron-Frobenius eigenvalue of  $\mathbf{D}$  is necessarily less than 1. Thus, the elasticity of  $P_{jt}$  with respect to the nominal exchange rate can be determined from equation (7) (for alternative assumptions about the response of sectoral gross value added to currency devaluation, see Katsinos and Mariolis, 2012, pp. 165-166).

From equations (2) and (3), taking time rates of change of the variables, we obtain

$$x = (1+q)^{\eta_1} (1+y^*)^{\eta_2} - 1 \quad (8)$$

$$q = (1-\eta_p)(e^{-1} + \eta_p)^{-1} \quad (9)$$

$$m = (1+q)^{\eta_3} (1+y)^{\eta_4} - 1 \quad (10)$$

where lower-case letters denote proportional rates of change of variables, and  $\eta_p$  the short-run, i.e. for  $t=1$ , elasticity of  $P$  with respect to  $E$ , which is estimated on the basis of equation (7). Substituting equations (8), (9) and (10) into equation (1) in growth rate form, and solving for the change rate of domestic income, yields:

$$y = H(e, c, y^*), \quad e > -1 \quad (11)$$

$$\text{where } H(\bullet) \equiv [(1+A)B^{-\eta_3}]^{\eta_6} - 1, \quad \eta_6 \equiv \eta_4^{-1}, \quad B \equiv (e^{-1} + 1)(e^{-1} + \eta_p)^{-1},$$

$$A \equiv (1+e)^{-1} \{-e - \theta_1 + [\eta_p e(1+c) + c]\theta_2 + (1+\eta_p e)\theta_1[(e^{-1} + 1)(e^{-1} + \eta_p)^{-1}]^{\eta_1} (1+y^*)^{\eta_2}\}$$

$$\theta_1 \equiv PX(EP^*M)^{-1}, \quad \theta_2 \equiv PC(EP^*M)^{-1}, \quad \theta_1 + \theta_2 = 1, \quad \text{and } C \equiv -I + F.$$

Equation (11) gives the balance of payments constrained change rate of domestic income.

### 3. Application

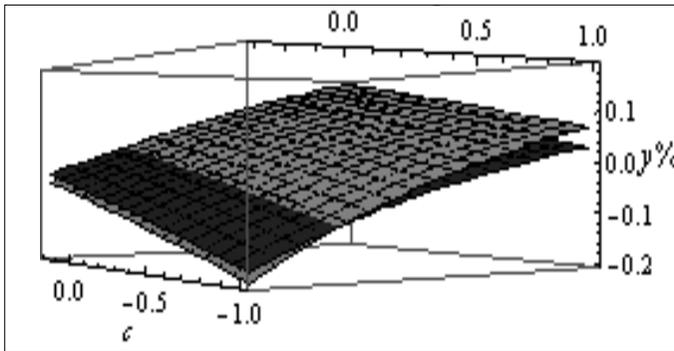
**I**n the year 2011, (i) the exports of goods and services of the Greek economy were approximately equal to 48.8 billion Euros, whereas the imports were approximately equal to 61.4 billion Euros, i.e.  $PX \cong 48.8$ ,  $EP^*M \cong 61.4$ , respectively, and, therefore,  $\theta_1 \cong 0.795$  and  $\theta_2 \cong 0.205$ ; and (ii)  $PI \cong 8.8$ , where the interest payments on external debt equal 10.8 billion Euros, and  $PF \cong 21.4$  (Bank of Greece, 2012, pp. 91 and 103-110). Furthermore, (i)  $\eta_1$  is in the range of 0.60 to 0.71, and  $\eta_3$ , is in the range of  $-0.90$  to  $-0.92$  (in accordance with estimates of the IMF and the Bank of Greece; see, e.g. Malliaropoulos and Anastasatos, 2011, p. 10); (ii)  $\eta_2$  should be considered as no greater than 1.16 (since the short-run income elasticity of demand for tourism is around that value; see Economou *et al.*, 2010, pp. 36 and 217-218); (iii)  $\eta_4$  is around 1.80 (Papazoglou, 2010, p. 230);<sup>3</sup> and (iv)  $\eta_p$  is in the range of 0.106 to 0.186 (depending on the response of  $\mathbf{v}$  to currency devaluation; Katsinos and Mariolis, 2012, pp. 167-168).

Figure 1 is constructed on the basis of those alternative estimates, and graphically displays equation (11), with  $\eta_2 = 1.16$ ,  $\eta_p = 0.186$  and  $y^* = 2\%$ . Figure 2 also incorporates the assump-

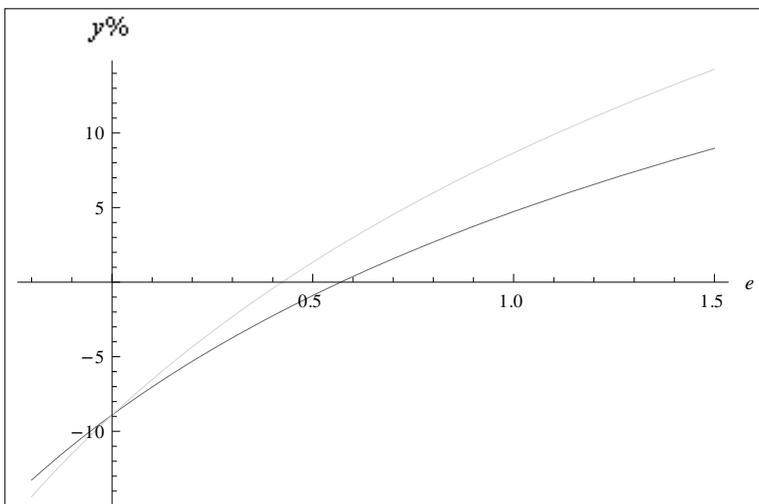
tion that, as a result of a Greek exit from the Eurozone, both the interest payments on external debt and the net capital inflows fall to zero, i.e.  $c \cong -84.4\%$ . It then follows that:

- (i) For  $e=0\%$ ,  $y$  is almost  $-8.91\%$ .
- (ii) For  $y=0\%$ ,  $e$  is in the range of 42.34% to 56.97%. By reducing  $y^*$  to 1% (or  $\eta_2$  to 0.90, i.e.  $\eta_2\eta_4^{-1}=0.5$ ), these values change to 45.83% (43.90%) and 61.97% (59.20%), respectively.
- (iii) For, say,  $y=5\%$ ,  $e$  is in the range of 73.17% to 102.83%. These values imply a cost-push inflation rate (as measured by the gross value of domestic production) of 13.61% or 19.13%, and that the competitiveness of the economy (as measured by the real exchange rate) increases by 52.42% or 70.26%, respectively.

**Figure 1. The balance of payments constrained change rate of domestic income as a function of the nominal devaluation rate ( $-30\% \leq e \leq 100\%$ ) and the change rate of external finance ( $-100\% \leq c \leq 20\%$ )**



**Figure 2. The balance of payments constrained change rate of domestic income as a function of the nominal devaluation rate, for  $c = -84.4\%$**



## 4. Concluding remarks

In terms of Thirlwall's extended model, this paper dealt with the Greek trade-off between growth and sovereign debt default. The findings of this (hypothetical) exercise, based on not completely unrealistic assumptions, lend support to the view that a possible return to national currency not only does not necessarily deepen the recession but also a well-coordinated devaluation in excess of 57%-60% is a *necessary* condition for the recovery.

This exercise would seem most useful when it is compared to the avowedly painful (and questionable) process of internal devaluation, which so far has led to unprecedented unemployment rates (of almost 27%). Future work should search for more detailed, reliable data and build on the multi-sector/country versions of Thirlwall's model.

## Acknowledgements

Earlier versions of this paper were presented at Workshops of the 'Study Group on Sraffian Economics' at the Panteion University, in May and September 2012: I am indebted to Kostas Papoulis, Nikolaos Rodousakis, Stelios Sfakiotakis, George Soklis and Eugenia Zouvela for helpful comments and suggestions. Furthermore, I am grateful to Lefteris Tsoulfidis for insightful discussions. The usual disclaimer applies.

## Notes

1. All those models have the same structure, which is imposed by the available Symmetric Input-Output Table of the Greek economy (it provides no data on fixed capital stocks, non-competitive imports and sectoral employment), but they are based on different assumptions about the response of sectoral gross value added to currency devaluation.
2. For a recent overview of the extended versions of Thirlwall's (1979) model, see Thirlwall (2011).
3. McCombie and Thirlwall (1999, p. 49) note: "Estimates of and to a lesser extent of , show considerable variation between countries and these disparities largely reflect differences in non-price competitiveness. [...] Estimates of for the early post-war period for the advanced countries vary from 3.55 for Japan to 0.86 for the UK".

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## Scientific Conference «City, crime and insecurity in times of economic crisis» Report by Ilias Koromilas, *Panteion University Athens*

The Postgraduate Programme of Panteion University, “The Contemporary Criminality and its Confrontation”, the Konstantinos Karamanlis Institute for Democracy and the National Centre for Social Research (EKKE), organized a scientific Conference under the thematic “City, Crime and Insecurity in Times of Economic Crisis”, on January 30<sup>th</sup>, 2013, at the *Athens 984 Radio Station* auditorium, at Technopolis- Gazi.

Opening speeches were given by the President of the Konstantinos Karamanlis Institute for Democracy, Mr. Yannis Michelakis and the Minister of Public Order and Citizen Protection, Mr. Nikos Dendias.

Presentations were given by

- Prof. George Kaminis, Mayor of Athens with the topic “The problem of violence in Athens”
- Mrs. Christina Zarafonitou, Professor of Criminology and Director of the Programme of Postgraduate Studies in Criminology at Panteion University with the topic “Fear of crime, victimization and quality of life at the Greek capital”
- Mrs. Ioanna Tsiganou, Director of Research at the National Centre for Social Research (EKKE) with the topic “Economic crisis and crime”
- Mr. Iakovos Farsedakis, Emeritus Professor of Criminology at Panteion University and Chairman of the Legal Department at the European University of Cyprus with the topic “A criminologist’s approach to the phenomenon of contemporary criminality in Athens”
- Mr. Eleftherios Economou, former Minister of Citizen Protection and Honorary Chief of the Greek Police with the topic “Fighting lawlessness in practice”.

The event was coordinated by Mr. Aris Tolios, journalist and attended by representatives of the academic community and ministries, politicians as well as a large number of citizens.

Both the President of the Institute for Democracy Konstantinos Karamanlis, Mr. Michelakis, and the Minister of Public Order and Citizen Protection, Mr. Dendias, thanked the organizing committee of the conference, and highlighted the necessity of dealing effectively with violence and lawlessness in the center of the Greek capital, which in turn should be based on the universal application of laws, Athens Mayor, Prof. Kaminis focused on the growing political violence, briefing on the nation’s recent history. Additionally, he condemned the violent behavior inside Greek universities and the actions of ferocity of the political party of *Golden Dawn*, which expands in the neighborhoods of the erstwhile middle class. He argued that the inability of Greek Security Forces to protect the country’s external borders, result in large populations of illegal immigrants being channeled in the neighborhoods of Athens. Finally, he noted that the Municipality of Athens could exercise criminal policy, only if it operated under the standards of a Metropolitan Municipality, such as the one of New York City.

The Professor of Criminology at Panteion University, Mrs. Christina Zarafonitou, focused on a body of research evidence in national and European level, which link the fear of crime to complex social phenomena in contemporary megacities. The findings of a recent research on the perception of ghettos at the center of the Greek capital indicate the role of environmental

and social degradation in the quality of life and its association with insecurity. Moreover, the residents' fear of crime was significantly higher, compared to the more "bourgeois" neighborhoods of the city. As a final point, Professor Zarafonitou analyzed the macro-social phenomena, which are likely to influence significantly and shape an environment of crisis and clash as well as crime-breeding factors.

Mrs. Ioanna Tsiganou, EKKE Research Director of Research at EKKE, upointed out that almost all econometric analyses, statistical reports and studies of several criminologists link the crisis with an increase of crime rates.t Nevertheless, no such connection is confirmed by analogous UN studies in countries that have befallen into similar economic calamity. Thus, despite the pessimistic findings, Mrs. Tsiganou asserted that social consensus, solidarity and citizens vigilance are elevated, a fact that makes us rethinke of poverty as the only crime-generating factor a the social pathology of crime is not linearly generated by the crisis.

Emeritus Professor of Criminology, Mr. Iakovos Farsedakis, described the deterioratinn aspects in both the quantity and quality of crime in Athens, with the omnipresence of violence. Referring to the natural laws of saturation / super-saturation, he explained how crime rates increase, proportionally, in times of crisis and tension. Professor Farsedakis analyzed the parameters of social homogeneity / heterogeneity, while crime rate increases, when value systems of different social subgroups mingle together, resulting in the dwindling of informal social control; a phenomenon we are currently facney in the multicultural city of Athens. He presented the conditions of transition to criminal behavior and the importance of applying unremitting criminal policy, while highlighting the special importance of prevention, the role of which isd confirmed byr the findings of UN research, which show the percentage of effectiveness state intervention in the long run, in relation to the type of intervention.

The former Minister, Mr. Economou described the situation in the city of Athens, focusing on the problems caused by illegal immigration, global organized crime and terrorist organizations. He noted that Athens has become ag ticking health bomb, while our country receives 80-90% of immigrants planning to trek into the European Continent, with the Greek police beinn the only actor to deal with this phenomenon. Finally, he emphasized the necessity to revise the legal framework relating to criminal policy, and underlined the significance of security as a civil right to be enjoyed by every citizen.

Following Mr. Economou's speech, discussion was generated while the organizers announced the publication of the proceedings of the conference.

## Social policy and social cohesion in Greece under conditions of economic crisis, *Bank of Greece, Athens 2012*

The volume *Social policy and social cohesion in Greece under conditions of economic crisis* contains the papers presented in a conference held at the Bank of Greece in Athens in April 2011, when Greece had already been in deep economic depression and a fiscal adjustment programme was implemented as outlined in the Memorandum with Troika. The papers, under different theoretical perspectives and using a rich set of information, deal with the development and problems of social policy during the three decades prior to the current great economic crisis as well as its evolution since then.

It is worth noting that the Governor of the Bank of Greece Professor Provopoulos in his introductory address focuses the main problem of the Greek social policy on its inherent structural distortions rather than on money shortage. The first main paper by Sir Antony Atkinson highlights the intergenerational character of current national debt which includes outstanding state pension rights, implying that economic and social policy should be considered under a unified prism, as any economic policy to overcome fiscal crisis will have intergenerational implications in many dimensions. The author argues that since debt burden can be shifted to future generations it is essential to establish an intergenerational compact. Although Atkinson acknowledges that the task of Greece to reduce its deficits and at the same time to tackle poverty seems impossible, he proposes the adoption of a basic income scheme, instead of a targeted social policy, which will be financed by a mix of intergenerational and vertical (higher taxation) redistribution. It is unfortunate that Atkinson's paper has not been translated into Greek to dissolve many prevailing myths.

In the second paper Mitrakos and Tsakoglou explore the evolution of the size and structure of economic inequality, poverty and social welfare from 1974 to 2008, that is before current crisis. The authors, using information from various household's surveys, conclude that economic inequality as well as relative and mainly absolute poverty declined yet not linearly during the examined period, which combined with significant increase of average incomes led to a substantial progress of social welfare and living conditions as indicated by generalized Lorenz curves. Mitrakos and Tsakoglou credit the decline of inequality to reduction of within socioeconomic groups inequality rather than in between socioeconomic groups inequality or to demographic changes.

In the third paper Matsaganis and Leventi, using the tax-benefit EUROMOD model, try to gauge how economic crisis, as well as the 2010 austerity measures have changed income distribution and poverty. The authors estimate that while there is minimal effect on inequality, there is an increase between 0.8 to 5.4 percentage points of poverty, depending on the definition. They find that the austerity measures undertaken by the Greek government were progressive but had small redistributive effect in relative terms and more important in the absolute poverty. While Matsaganis and Leventi argue that austerity measures contribute to the crisis, they highlight the significant role of more fundamental problems such as the weak **production structure, low competitiveness, etc.**

In the fourth paper Dafermos and Papatheodorou utilize European macroeconomic data for the period 1994-2008 to estimate the determinants of aggregate relative poverty rate. They

conclude that the main inhibitory forces of relative poverty are the per capita GDP and social transfers as percentage of GDP. They also argue that social democrat or corporatist social security systems are in this respect more efficient and so in the corresponding countries an increase in the per capita GDP reduces poverty more compared to Mediterranean or liberal countries. Exploiting these findings the authors anticipate that in Greece relative poverty and standards of living will not improve in the years to follow.

In the fifth paper Lyberaki and Tinios discuss the characteristics and interactions between the formal and informal social security networks and show that the unchanging features of the formal sector contribute to the creation and deepening of crisis. The authors argue that, contrary to the usual Keynesian tenet, *'the formal security network operates as an automatic destabilizer of the economy'* (p.134). In the last section of their article Lyberaki and Tinios identify policy measures that would promote the goals of fiscal consolidation and social policy without destroying the contribution of informal social network solidarity.

In the sixth paper Maniatis and Gousiou under a Marxian perspective calculate the net social wage in Greece, Spain, France, Italy and Portugal as a means to argue that the working class cannot be held responsible for the fiscal imbalances and the accumulated public debts. They claim that the benefits of the working class from the state are systematically lower compared to the taxes they pay. Thus, Maniatis and Gousiou reach the conclusion that workers are not responsible for the fiscal difficulties their countries encounter.

In the final paper Zografakis and Mitrakos construct a new index approximating household's risk of low income from work. Higher values of the index indicate higher probability of a low labour income household. They estimate that the index increased substantially by 32.3% between 2009 and 2011 and it is systematically higher for the less educated, immigrants, young individuals, unqualified workers and the unemployed. Thus, the authors conclude that any policy to prevent or combat this adverse situation must be targeted to specific vulnerable groups, enhance their human capital and facilitate their access to the labour market.

To conclude the main strength of this worth reading book, which is available online for free, is the plethora of information it contains and the different theoretical perspectives used by its contributors.

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## **Κουτσαράς, Νίκος,** ***Η εκδίκηση των δούλων και η εφεδρεία των μακαριτών,*** Αθήνα, Εκδόσεις Παπαζήση, Αθήνα 2012

**A**πευθυνόμενη στους καθηγητές της Οικονομικής Σχολής του Λονδίνου το Νοέμβριο του 2008 η βασίλισσα της Αγγλίας εξέφρασε την απορία της για την αδυναμία των πρώτων να προβλέψουν την κρίση. Έκτοτε, σημαντικός αριθμός αναλύσεων και μελετών έχει δει το φως της δημοσιότητας απευθυνόμενες σε ειδικούς και μη και έχοντας ως αντικείμενο (μεταξύ άλλων) την ανάλυση των αιτίων της κρίσης, την εξέταση των επιπτώσεων της σε σειρά τομέων πολιτικής, τη διατύπωση προτάσεων για την έξοδο από αυτή. Το βιβλίο του Ν. Κουτσαρά «Η εκδίκηση των δούλων και η εφεδρεία των μακαριτών» θα μπορούσε να αποτελεί μια ακόμα συμβολή στη σχετική βιβλιογραφία ωστόσο –όπως πολύ γρήγορα αντιλαμβάνεται ο αναγνώστης- είναι κάτι πολύ περισσότερο.

Το βιβλίο παρουσιάζει τις ταλαντώσεις της μακροοικονομικής θεωρίας: από την κείνσιανή μακροοικονομική σκέψη –βασική συνιστώσα του υποδείγματος της μικτής οικονομίας– τις (θεωρητικές) εξεργασίες και συμπληρώσεις αυτής, στο τέλος της χρυσής εποχής του δυτικού καπιταλισμού και την ανάδειξη των αντιφάσεων του υποδείγματος, στη συντηρητική αναθεώρηση της μακροοικονομικής πολιτικής και την αμφισβήτηση της τελευταίας μετά το 2008, οδηγώντας στην αναθέρμανση των ακαδημαϊκών διαμαχών και συμβάλλοντας στην επανεμφάνιση των παραδοσιακών κείνσιαν(ιστικ)ών υποδειγμάτων. Μεταπολεμικά το κείνσιανό υπόδειγμα προτάσσει μια πειστική εκδοχή της καπιταλιστικής οικονομίας εδρασημένη στην ιδιωτική ανταγωνιστική αγορά ενορχηστρωμένης ωστόσο από τη δραστήρια μακροοικονομική πολιτική. Οι παραλείψεις της Γενικής Θεωρίας..... υπαγόρευαν/ οδήγησαν στην επέκταση ή/και συμπλήρωσή της ανταποκρινόμενες στις νέες περιστάσεις και τα προβλήματα των μεταγενέστερων δεκαετιών. Τα ερωτηματικά και οι διαμάχες που προέκυψαν αναφορικά με τη συνάφεια και την ευρωστία των επεκτάσεων/ συμπληρώσεων της Γενικής Θεωρίας..... απηχούνται με τον καλύτερο δυνατό τρόπο μέσω της διάκρισης που εισάγει ο συγγραφέας μεταξύ κείνσιανών και κείνσιανιστικών αντιλήψεων και πολιτικών. Το τέλος της χρυσής εποχής συνοδεύεται από τη δυσπιστία (αρχικά) και την αμφισβήτηση (στη συνέχεια) της υφιστάμενης κείνσιαν(ιστικ)ής θεωρίας, η οποία ενισχύεται από την ανάδειξη των αδυναμιών της, καθώς και της σημαντικής συμβολής στο πλαίσιο της διαδικασίας αυτής του Μ. Φρίντμαν (καθώς και των Χάγιεκ, Σούμπετερ και Πόππερ) οδηγώντας στην επικράτηση του οικονομικού φιλελευθερισμού. Η κρίση του 2008 και η υιοθέτηση κείνσιανής έμπνευσης μέτρων τόνωσης της ζήτησης οδηγούν στην αναθέρμανση της ακαδημαϊκής διαμάχης. Η συζήτηση αυτή για την μακροοικονομική θεωρία παρομοιάζεται εύστοχα από το συγγραφέα με την κίνηση ενός εκκρεμούς: ακολουθώντας συνεπώς μια πορεία ανάλογη με αυτή ενός εκκρεμούς η μακροοικονομική θεωρία ταλαντώνεται μεταξύ οικονομικού φιλελευθερισμού και κείνσιανισμού. Ο συγγραφέας-μελετητής των ταλαντώσεων μοιάζει ωστόσο να δίνει μεγαλύτερη βαρύτητα στην ανάλυση της κείνσιανής οικονομικής σκέψης και τις τροποποιήσεις/ εξεργασίας αυτής.

Η μελέτη των ταλαντώσεων της μακροοικονομικής θεωρίας αναδεικνύει την ίδια στιγμή την απόκλιση μεταξύ μακροοικονομικής πολιτικής και πράξης. Η απόκλιση χαρακτηρίζεται «σχεδόν μοιραία» ως αποτέλεσμα –μεταξύ άλλων– της ατελούς επιστημοσύνης της θεωρίας. Κυρίως όμως η μακροοικονομική της πράξης είναι συνθετέτερα θεωρητικώς αδιάφορη. Οι πολιτικοί ή αλλιώς οι «πρακτικοί άνθρωποι» (κατά την γνωστή αποστροφή του Κέυν्स) δεν είναι συνεπώς «δούλοι» (ζώντων ή μακαριτών) οικονομολόγων, αλλά προσφεύγουν στις ιδέες των τελευταίων προκειμένου να αντλήσουν την απαραίτητη νομιμοποίηση των επιλογών τους, εκδικούμενοι με τον τρόπο αυτό τους οικονομολόγους. Η αδυναμία ακριβούς μέτρησης και αξιόπιστης πρόβλεψης των μακροοικονομικών μεγεθών –παρά την πρόοδο στις τεχνικές ανάλυσης– συνεπάγεται (και υπενθυμίζει) ότι η λήψη των πολιτικών αποφάσεων συναρτάται από τις ιδέες, τους θεσμούς και καθορίζεται πρωτίστως από τα συμφέροντα.

Υπό το πρίσμα αυτό, η ανάδειξη στη μετά το 2008 εποχή τεχνοκρατικών κυβερνήσεων και η συζήτηση σχετικά με την ικανότητα προώθησης επώδυνων μεταρρυθμίσεων ως αποτέλεσμα της απουσίας πολιτικού κόστους (όπως υποστηρίζεται) δημιουργεί ερωτήματα στους αναγνώστες σε σχέση με τη θέση του συγγραφέα αναφορικά με τη σύζευξη θεωρίας και πράξης που αντιπροσωπεύουν οι τεχνοκρατικές κυβερνήσεις. Η απουσία αναφοράς –παρά το γεγονός ότι κατά το χρόνο έκδοσης του βιβλίου υπήρξαν παραδείγματα τεχνοκρατικών κυβερνήσεων τα οποία θα μπορούσαν να σχολιαστούν– φανερώνει ίσως την απουσία της αναγκαιότητας διάκρισης από την πλευρά του συγγραφέα, στοιχείο το οποίο ωστόσο θα είχε ενδιαφέρον να σχολιαστεί.

Παράλληλα με την παρουσίαση της ιστορίας (και των ταλαντώσεων) της μακροοικονομικής θεωρίας, «Η εκδίκηση των δούλων.....» συνιστά μια μελέτη για την κρίση και πιο συγκεκριμένα

των προσδοκώμενων μεταβολών στις αντιλήψεις και την μακροοικονομική πρακτική (συνέπεια της κρίσης). Η πρόσφατη κρίση αποτελεί κρίση του ιδιωτικοποιημένου κεινσιανισμού (όρο που δανείζεται από τον Colin Crouch, διαφοροποιώντας τον παράλληλα) και κύριες εκδηλώσεις (της αποτυχίας αυτού) τη διόγκωση του ιδιωτικού χρέους και τη διεύρυνση των παγκόσμιων μακροοικονομικών ανισορροπιών. Υπό το πρίσμα αυτό, τα κεφάλαια που προηγούνται προσφέρουν μια ιστορική διάσταση στην ανάλυση.

Η ανάλυση πλαισιώνεται εμπειρικά μέσω της παρουσίασης των εξελίξεων των σημαντικότερων μεταξύ των δυτικών καπιταλιστικών οικονομιών (ΗΠΑ, Ηνωμένο Βασίλειο, Γαλλία και Γερμανία). Η επιλογή τεκμηριώνεται αφενός λόγω του μεγέθους των οικονομιών, αφετέρου λόγω της ωριμότητας των οικονομικών τους θεσμών, συνιστώντας παράλληλα τις αντιπροσωπευτικότερες εκδοχές των διαφορετικών μοντέλων καπιταλισμού, και τέλος λόγω του ρόλου και της θέσης τους στη σύγχρονη παγκόσμια και περιφερειακή νομισματική, οικονομική και πολιτική ιστορία.

Πρόκειται για ένα ιδιαίτερα απαιτητικό βιβλίο το οποίο θα δυσκολέψει τόσο τους αναγνώστες που δεν διαθέτουν επαρκείς γνώσεις στον τομέα της οικονομικής επιστήμης, όσο όμως και τους γνώστες της οικονομικής επιστήμης συνέπεια της μακροπερίοδης και πυκνής γραφής του συγγραφέα, καθώς και του μεγέθους του δεύτερου και τρίτου κεφαλαίου όπως άλλωστε αναγνωρίζει (σε σχέση με το τελευταίο σημείο) και ο ίδιος στην εισαγωγή. Η λεπτομερής ωστόσο καταγραφή και κυρίως ανάλυση των αντιδράσεων σε διεθνές επίπεδο, αλλά και από την πλευρά των υπό εξέταση κρατών συμβάλει στην πραγματικά ουσιαστική και εις βάθος ανάλυση και κατανόηση των εξελίξεων των τελευταίων ετών.

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## **Σάββας Γ. Ρομπόλης,**

### ***Οικονομική κρίση και κράτος. Από το κράτος πρόνοιας στο κράτος φιλανθρωπίας,***

Εκδ. Επίκεντρο, Αθήνα 2012

**Τ**α τελευταία 4 χρόνια στην ελληνική βιβλιογραφία εμφανίστηκε ένας αξιόλογος αριθμός δημοσιεύσεων με αναφορά στη βαθιά οικονομική και κοινωνική κρίση που αντιμετωπίζει η ελληνική κοινωνία. Ο ενδιαφερόμενος μελετητής της ελληνικής κρίσης χρέους και των επιπτώσεών της θα διαπιστώσει ότι οι περισσότερες μελέτες αυτού του είδους επικεντρώνονται στην ανάλυση των δημοσιονομικών αδυναμιών της ελληνικής οικονομίας και τη σχέση του δημόσιου χρέους με διάφορες παραμέτρους που το επηρεάζουν. Επίσης, θα παρατηρήσει ότι μία υπό-ομάδα αυτών των δημοσιεύσεων εστιάζουν στις διαρθρωτικές αλλαγές που επιδιώκουν τα τρία «μημόνια συνεργασίας» για τη δημοσιονομική προσαρμογή της ελληνικής οικονομίας και τις επιπτώσεις των μέτρων που περιλαμβάνονται σ' αυτά πάνω στη λειτουργία της ελληνικής δημόσιας διοίκησης. Μία τρίτη κατηγορία μελετών στοχεύουν στην ανάλυση ειδικών πλευρών της κρίσης όπως είναι η υγεία, η απασχόληση, η φτώχεια και οι εργασιακές σχέσεις. Τέλος, μερικές από τις παραπάνω εκδόσεις είναι κείμενα δημοσιογραφικού ή και πολιτικού χαρακτήρα και περιέχουν σύντομες αναλύσεις ή και καταγραφές διαφόρων πλευρών της κρίσης όπως εμφανίζονται στην επικαιρότητα και δεν προσφέρουν, παρά δευτερευόντως, στην επιστημονική συζήτηση.

Ανεξάρτητα από τις παραπάνω διακρίσεις, οι περισσότερες μελέτες για την κρίση που είδαν το φως της δημοσιότητας την πρόσφατη περίοδο, εμβαθύνουν σε διάφορες πλευρές και εκδηλώσεις της από την οπτική της οικονομικής ανάλυσης συμπεριλαμβάνοντας ως δευτερεύουσας σημασίας τις κοινωνικές της επιπτώσεις ενώ κάποιες άλλες μελέτες αναφέρονται αποκλειστικά στις κοινωνικές πλευρές της κρίσης, αποσιωπώντας την στενή σχέση της κοινωνικής πολιτικής με την οικονομία.

Παρόλο που η προαναφερόμενη μερικότητα στην προσέγγιση της κρίσης δεν αποτελεί χαρακτηριστικό μόνο της Ελλάδας, οι μελέτες που εξετάζουν την κοινωνική πολιτική από την οπτική της πολιτικής οικονομίας διατηρώντας ταυτόχρονα το κέντρο βάρους της ανάλυσής τους στην κοινωνική πολιτική είναι εξαιρετικά σπάνιες. Στην τελευταία κατηγορία ανήκει το βιβλίο του Σάββα Ρομπόλη που φέρει τον τίτλο: «*Οικονομική κρίση και κοινωνικό κράτος*». Πρόκειται για μία μελέτη της κοινωνικής πολιτικής στην τρέχουσα οικονομική κρίση της Ελλάδας από την οπτική της πολιτικής οικονομίας, οι οποία όμως, όπως προαναφέρθηκε, διατηρεί το επίκεντρο της ανάλυσής της στην κοινωνική πολιτική. Η μελέτη της *πολιτικής οικονομίας της κοινωνικής πολιτικής* από τον Σάββα Ρομπόλη δεν περιορίζεται μόνο στην ανάλυση των δημοσιονομικών επιπτώσεων της κοινωνικής πολιτικής όπως συμβαίνει συνήθως στην ελληνική βιβλιογραφία αλλά επικεντρώνεται στη δυναμική αλληλεπίδραση οικονομίας και κοινωνικής πολιτικής, εκφράζοντας την αγωνία του για τις αρνητικές επιδράσεις των προτεινόμενων λύσεων στην κοινωνική ευημερία και το κράτος πρόνοιας όπως αυτό το γνωρίσαμε στη περίοδο που ακολούθησε το δεύτερο παγκόσμιο πόλεμο και μέχρι πρόσφατα.

Πιο συγκεκριμένα, η μελέτη του Σάββα Ρομπόλη αντιμετωπίζει τη κοινωνική πολιτική ως παράγωγο(υποσύστημα) της οικονομικής πολιτικής(οικονομικό σύστημα) που επιτελεί τη λειτουργία της οικονομικής αναπαραγωγής του κυρίαρχου προτύπου της οικονομίας μέσω της διασφάλισης του οικονομικού ελέγχου στη διαδικασία της συσσώρευσης του κεφαλαίου και του κοινωνικού ελέγχου στη διαδικασία διατήρησης της ελάχιστης φυσιολογικής ικανότητας της εργατικής δύναμης. Υπό αυτό το πρίσμα, ο συγγραφέας αντιμετωπίζει την κοινωνική πολιτική στο πλαίσιο του «παραμελημένου» από την επικρατούσα βιβλιογραφία προτύπου της βιομηχανική επίδοσης (όπως το χαρακτήρισε πριν από αρκετές δεκαετίες ο R. Titmuss) και- εν πολλοίς- την ταυτίζει με το θεσμό της κοινωνικής προστασίας. Έτσι η ανάλυση του συγγραφέα επικεντρώνεται στις επιπτώσεις της οικονομικής κρίσης στην απασχόληση και την κοινωνική ασφάλιση με έμφαση στις συντάξεις.

Το βιβλίο αποτελείται από πέντε κεφάλαια. Στο πρώτο κεφάλαιο αναλύονται οι θεωρητικές και πρακτικές προεκτάσεις της οικονομικής θεωρίας στην κατανόηση της οικονομικής κρίσης και των επιπτώσεων της μετουσίωσης των προτάσεών της σε κρατική ή και ευρωπαϊκή πολιτική. Το δεύτερο κεφάλαιο διερευνά τις διεθνείς διαστάσεις της οικονομικής κρίσης, τη σχέση της αμερικάνικης οικονομίας και πολιτικής με την ευρωπαϊκή οικονομική πολιτική και τοποθετεί το «ελληνικό πρόβλημα» στο πλαίσιο τους, με ιδιαίτερη αναφορά στο ελληνικό χρέος και τη σχέση του με το οικονομικό πρότυπο που επικράτησε στη χώρα κατά τις τελευταίες δεκαετίες. Ο μελετητής δίνει ιδιαίτερη έμφαση στις προεκτάσεις των επιλογών επίλυσης αυτού του προβλήματος στα δημόσια οικονομικά του ελληνικού κράτους και την κοινωνική ασφάλιση. Το τρίτο κεφάλαιο αναφέρεται στις οικονομικές και κοινωνικές επιπτώσεις της κρίσης στην Ελλάδα με έμφαση στην απασχόληση, την ανεργία, τους μισθούς, τις εργασιακές σχέσεις και την κοινωνική ασφάλιση. Το τέταρτο κεφάλαιο αναλύει την καμπή στην οποία βρίσκεται η ελληνική οικονομία που ο συγγραφέας τη χαρακτηρίζει ως «ώρα μηδέν», οι επιπτώσεις της άνισης ανάπτυξης στην Ευρωπαϊκή Ένωση και οι καταστροφικές επιδράσεις της κρίσης χρέους και της ύφεσης που οδήγησαν στα αδιέξοδα των «μνημονίων» και το κοινωνικό κραχ που αντιμετωπίζει σε πολλαπλά επίπεδα η ελληνική κοινωνία και ευρύτερα ο ευρωπαϊκός νότος. Σ' αυτό το κεφάλαιο ο συγγραφέας εκφράζει την αγωνία του για τις αρνητικές κοινωνικές επιπτώσεις της κατάρρευσης του μεταπολεμικού μοντέλου απασχόλησης στην Ευρωπαϊκή Ένωση και τους κινδύ-

vous υποβάθμισης που αντιμετωπίζει η μισθωτή εργασία στην Ελλάδα και ευρύτερα στον ευρωπαϊκό νότο η οποία οδηγείται με ταχείς ρυθμούς προς την πλήρη «κινεζοποίηση» με την κατάργηση των στοιχειωδών κοινωνικών και εργασιακών δικαιωμάτων. Στο πέμπτο κεφάλαιο αναλύεται η επικρατούσα Ευρωπαϊκή Στρατηγική για την έξοδο από την κρίση και τα αδιέξοδά της και διατυπώνονται προτάσεις προγραμματικού χαρακτήρα για την ανασυγκρότηση του παραγωγικού προτύπου της ελληνικής οικονομίας και του κοινωνικού της ιστού.

Ο Σάββας Ρομπόλης, χωρίς να επιμένει στο σχολιασμό των απόψεων που εκφράζονται στην τρέχουσα βιβλιογραφία για την κρίση, στηρίζει την επιχειρηματολογία των προτάσεών του στην ανάδειξη των αδυναμιών και των αντιφάσεων της επικρατούσας οικονομικής θεωρίας και πολιτικής στην Ευρωπαϊκή Ένωση και την Ελλάδα. Τονίζει, κυρίως, το χάσμα που προκαλείται από τις απόπειρες της αντιμετώπισης των οικονομικών προβλημάτων που εμφανίζονται στο μακροεπίπεδο (ανεργία, απασχόληση, συντάξεις) με τα εργαλεία της μικρο-οικονομικής ανάλυσης. Με βάση αυτή την παρατήρηση επισημαίνει τα αδιέξοδα που δημιουργούνται από την επιλογή των λύσεων που διέπονται από την αρχή της ανταγωνιστικότητας όπως αυτή γίνεται αντιληπτή από το ρεύμα του «ορθοφιλελευθερισμού» και που οδηγούν στην υποβάθμιση των συνθηκών διαβίωσης των ευρωπαϊκών εργαζομένων και τη μετατροπή της ευρωπαϊκής αγοράς εργασίας σε μία ανασφαλή, απροστάτευτη και απάνθρωπη παραγωγική σχέση «κινέζικου» τύπου όπου μεσουραρούν οι Ελεύθερες Οικονομικές Ζώνες και το κράτος της φιλανθρωπίας.

Το δεύτερο εργαλείο θεμελίωσης της επιχειρηματολογίας του συγγραφέα απορρέει από τα ερήματα των εμπειρικών ερευνών του ΙΝΕ/ΓΣΕΕ-ΑΔΕΔΥ του οποίου έχει την επιστημονική ευθύνη για δύο δεκαετίες περίπου τώρα και τα αξιοποιεί δημιουργικά ανασυνθέτοντάς τα στο θεωρητικό πρότυπο αξιολόγησης της οικονομικής και κοινωνικής πολιτικής «εκ των αποτελεσμάτων τους» και καταδεικνύοντας ταυτόχρονα την πολυδιάστατη αδυναμία των κρατικών και ευρωπαϊκών πολιτικών να αντιμετωπίσουν τα ιδιαίτερα οξυμένα οικονομικά και κοινωνικά προβλήματα των ημερών μας.

Για την αντιμετώπιση των παραπάνω αδιεξόδων ο Σάββας Ρομπόλης προτείνει τον ανασχεδιασμό της Ευρωπαϊκής και ελληνικής οικονομικής πολιτικής με την αξιοποίηση των εργαλείων της οικονομικής ανάλυσης στο μακροεπίπεδο. Κεντρικό σημείο αναφοράς στην πρότασή του για την ανασυγκρότηση του ελληνικού και ευρωπαϊκού παραγωγικού προτύπου αποτελεί η αρχή της παραγωγικότητας που κατά τον συγγραφέα θα επιτρέψει την επαναθεμελίωση της οικονομίας της αλληλεγγύης και την αναδιάταξη του θεσμού της κοινωνικής προστασίας στη βάση του διευρυμένου κράτους πρόνοιας, αποτρέποντας την τάση υποβάθμισής του σε κράτος φιλανθρωπίας.

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Εκδόσεις Τόπος, Αθήνα, 2012,

Στο μυθιστόρημά του «Ο Πύργος», ο Franz Kafka, δίνει μορφή με τον πιο παραστατικό τρόπο, σε μια από τις εφιαλτικότερες προκλήσεις που αντιμετωπίζουν οι σύγχρονες κοινωνίες: αυτή του κοινωνικού αποκλεισμού και της άρνησης της πρόσβασης ατόμων και κοινωνικών ομάδων σε δικαιώματα, αγαθά και πόρους. Ο «Κ», ένας χωρομέτρης, φτάνει σε ένα χωριό το οποίο διοικείται από τον Πύργο που βρίσκεται στην κορυφή του λόφου. Έχει την εντύπωση ότι πρέπει να αναφερθεί

στην αρχή που διοικεί το χωριό και εδρεύει στον Πύργο, προκειμένου να αναλάβει υπηρεσία. Όμως, στην πορεία διαπιστώνει ότι οι συμπεριφορές των χωρικών και οι σχέσεις μεταξύ αυτών και των αρχών του Πύργου, θέτουν συνεχώς εμπόδια στην προσπάθειά του να αποκτήσει πρόσβαση στον Πύργο. Ο «Κ» είναι εγκλωβισμένος, χωρίς διέξοδο, σε μια κατάσταση κατά την οποία όχι μόνο δεν υπάρχει τρόπος να φθάσει στον Πύργο, αλλά επίσης δεν υπάρχει και τρόπος να φύγει από το χωριό. Ο «Κ» είναι ο «άλλος», ο «ξένος» και ως συνέπεια αυτού αντιμετωπίζεται με δυσπιστία και περιθωριοποιείται. Η περιθωριοποίηση είναι διπλή: τόσο από τη διοικητική γραφειοκρατία, τις θεσμικές διαδικασίες, δηλαδή τον Πύργο, όσο και από την ευρύτερη κοινωνία, δηλαδή το χωριό, που δεν βοηθά τον «Κ» να πετύχει την επιδίωξή του.

Αυτό που η πένα του Kafka περιγράφει λογοτεχνικά κατά το μεσοπόλεμο, στην επιστημονική της εκδοχή εμφανίζεται για πρώτη φορά στη Γαλλία τη δεκαετία του '60 και λαμβάνει πιο συγκεκριμένη μορφή στα μέσα της δεκαετίας του '70, όταν ο όρος «κοινωνικά αποκλεισμένοι» χρησιμοποιείται προκειμένου να γίνει αναφορά σε κατηγορίες του πληθυσμού που ζουν στο περιθώριο της κοινωνίας και δεν έχουν πρόσβαση σε μια σειρά κοινωνικών παροχών. Ωστόσο, παρά τη Γαλλική καταγωγή της, η έννοια του «κοινωνικού αποκλεισμού» οφείλει τη ραγδαία εξάπλωση και τη διεθνή κυριαρχία της στους θεσμούς της Ευρωπαϊκής Ένωσης, όταν στα τέλη της δεκαετίας του '80 χρησιμοποιείται για πρώτη φορά σε κείμενο της Ευρωπαϊκής Επιτροπής. Έκτοτε, ο «κοινωνικός αποκλεισμός» ως όρος αντικαθιστά τη «φτώχεια» και αναδεικνύεται σε μια έννοια με κοινωνικο-πολιτικές και επιστημονικές διαστάσεις, εγείροντας έντονο διάλογο ως προς τα αναλυτικά και ερμηνευτικά του πλεονεκτήματα και το βαθμό στον οποίο αποτελεί το πιο κατάλληλο εργαλείο προσέγγισης των νέων μορφών αποστέρσης που δημιουργούνται από τις ραγδαίες οικονομικές, τεχνολογικές και κοινωνικές μεταβολές στο πλαίσιο της διαδικασίας της παγκοσμιοποίησης. Ο διάλογος αυτός έχει αναπτυχθεί τα τελευταία χρόνια και στη χώρα μας με την έκδοση αξιόλογων μελετών και αποκτά ιδιαίτερη βαρύτητα υπό το πρίσμα των δυσμενών κοινωνικών και οικονομικών συνθηκών που διαμορφώνονται από την υφιστάμενη οικονομική κρίση, τόσο στην Ελλάδα όσο και γενικότερα στην Ευρωπαϊκή Ένωση. Δεν θα πρέπει να μας διαφεύγει το γεγονός ότι σήμερα, περίπου 120 εκατομμύρια άνθρωποι ή το ένα τέταρτο του πληθυσμού των χωρών της Ευρωπαϊκής Ένωσης, διαβίει σε συνθήκες φτώχειας ή κοινωνικού αποκλεισμού.

Το βιβλίο της Δέσποινας Παπαδοπούλου έρχεται σε μια καίρια στιγμή να ρίξει φως σε βασικές πτυχές και εκφάνσεις του κοινωνικού αποκλεισμού. Αποτελεί προϊόν μακροχρόνιας ενασχόλησης της συγγραφέως με το εν λόγω πεδίο, συμβάλλοντας στον ευρύτερο προβληματισμό που αναπτύσσεται. Κύρια μεθοδολογική επιλογή του βιβλίου είναι η προσέγγιση του κοινωνικού αποκλεισμού από την οπτική της κοινωνιολογίας. Η κεντρική ιδέα είναι ότι η έννοια του κοινωνικού αποκλεισμού είναι πρωτίστως κοινωνιολογική. Και αυτό γιατί στα θεμέλια τόσο της κλασσικής όσο και της σύγχρονης κοινωνιολογικής σκέψης βρίσκεται το ενδιαφέρον για την κοινωνική διαστρωμάτωση και τις κοινωνικές ανισότητες, έννοιες κλειδιά στις οποίες η βιβλιογραφία για τον κοινωνικό αποκλεισμό συνεχώς αναφέρεται, δεδομένου ότι συνδέονται άμεσα με τη διατήρηση ή τη διάρρηξη της κοινωνικής αλληλεγγύης και της κοινωνικής συνοχής, με άλλα λόγια του ίδιου του κοινωνικού δεσμού. Έτσι, ο κοινωνικός αποκλεισμός ερμηνεύεται μέσα από τη διάρρηξη του κοινωνικού δεσμού, η οποία με τη σειρά της οδηγεί στην αδυναμία άσκησης των βασικών κοινωνικών δικαιωμάτων. Εδώ αναδεικνύεται η σημασία της πολιτικής συνιστώσας και του βαθμού που οι πολιτικές καταπολέμησης του κοινωνικού αποκλεισμού αποτελούν συνιστώσα ενός αποτελεσματικού κράτους πρόνοιας, το οποίο, ως θεσμός συλλογικής έκφρασης του κοινωνικού και επιδίωξης ευημερίας έρχεται, σύμφωνα με την κλασσική προσέγγιση του Titmuss, να καλύψει το κοινωνικό κόστος που προκύπτει από την κοινωνική μεταβολή και τις καταστάσεις αποδιάρθρωσης που συνεπιφέρει. Η, διατυπωμένο διαφορετικά, το ζητούμε-

νο είναι η κατοχύρωση της ιδιότητας του πολίτη, προστατεύοντας και προάγοντας αρχές κοινωνικής δικαιοσύνης σε συνθήκες δομικών μετασχηματισμών και αυξημένης συνθετότητας και ετερογένειας. Ιδιότητα όμως, που σήμερα δεν αφορά μόνο το εθνικό επίπεδο αλλά και το υπερεθνικό, στο πλαίσιο ευρύτερων σχηματισμών που υπερβαίνουν το κράτος-έθνος, όπως είναι η Ευρωπαϊκή Ένωση.

Ακολουθώντας το βασικό επιχείρημα που σκιαγραφήθηκε παραπάνω, το βιβλίο δομείται σε πέντε μέρη. Στην Εισαγωγή, η συγγραφέας επιχειρεί τον εντοπισμό του προβλήματος και επισημαίνει τη σημασία της κριτικής προσέγγισης της επιστήμης της κοινωνιολογίας στη διερεύνηση του φαινομένου του κοινωνικού αποκλεισμού. Προσδιορίζει τα βασικά χαρακτηριστικά του αποκλεισμού που συνδέονται με τη σύγχρονη κοινωνία και τα φαινόμενα κοινωνικής παθολογίας. Ακολουθώς, παρουσιάζει τα μεθοδολογικά εργαλεία και τα εργαλεία εμπειρικής έρευνας που έχουν αναπτυχθεί ερευνώντας τον αποκλεισμό και τονίζει την αναγκαιότητα νέων μεθόδων προσέγγισης μέσα από την παρουσίαση των περιπτώσεων της Γαλλίας και της Αγγλίας.

Στο δεύτερο μέρος του βιβλίου, σε ένα πρώτο επίπεδο, εξετάζονται τα βασικά χαρακτηριστικά του κοινωνικού αποκλεισμού: το πολυδιάστατο και το πολυεπίπεδο της έννοιας, η διάσταση της πολιτικής του διαχείρισης, ο σχετικός του χαρακτήρας και η αναφορά του σε μια διαδικασία και όχι σε μια κατάσταση. Στη συνέχεια αναλύονται τα θεωρητικά θεμέλια του κοινωνικού αποκλεισμού και οι επιδράσεις που άσκησαν τα επιμέρους ρεύματα της κοινωνιολογικής σκέψης. Ειδικότερα, γίνεται διάκριση σε τρεις περιόδους. Η πρώτη, αφορά την προϊστορία του όρου, καταγράφοντας τις θέσεις των Ντυρκάιμ, Βέμπερ, Ταϊννις και Ζίμμελ, οι οποίες έχουν δομηθεί στην αναζήτηση της φύσης, της διατήρησης και της διάρρηξης του κοινωνικού δεσμού. Η δεύτερη περίοδος περιλαμβάνει τη Συμβολή της Σχολής του Σικάγο, μέσα από τις εμπειρικές έρευνες που διεξήγαγε για την ενσωμάτωση διαφορετικών εθνοτικών και φυλετικών ομάδων στην αμερικάνικη κοινωνία. Η διαφορά της περιόδου αυτής με την προηγούμενη έγκειται στο ότι η έμφαση δίνεται στην ενσωμάτωση όχι ως καθολική διαδικασία του συνόλου της κοινωνίας αλλά ως βαθμός δυσκολίας κοινωνικής συμμετοχής μιας ιδιαίτερης πληθυσμιακής ομάδας, των μεταναστών. Η τρίτη περίοδος γενεολογίας του κοινωνικού αποκλεισμού αποτελεί το πλαίσιο ερμηνείας του στις σύγχρονες κοινωνικές, οικονομικές και πολιτικές συνθήκες. Εδώ, η ανάλυση στρέφεται γύρω από τρεις άξονες: την αναπαραγωγή ακραίων και συσσωρευμένων κοινωνικών ανισοτήτων, την απώλεια και την αδυναμία άσκησης των κοινωνικών δικαιωμάτων και τη διάρρηξη του κοινωνικού δεσμού.

Η σημασία του κοινωνικού δεσμού ως κεντρικής κοινωνιολογικής αναλυτικής έννοιας για τη διερεύνηση του κοινωνικού αποκλεισμού, οδηγεί τη συγγραφέα στο να αφιερώσει το τρίτο μέρος του βιβλίου στις τυπολογίες του και τις μορφές διάρρηξής του. Ειδικότερα, διακρίνει πέντε τύπους κοινωνικών δεσμών και αντίστοιχους θεσμούς που επιδρούν στο βαθμό που αυτοί διατηρούνται ή διαρρηγνύονται. Αυτοί είναι: ο δεσμός αίματος και η σημασία της συγγένειας και της οικογένειας, ο δεσμός της πνευματικής κοινωνικοποίησης και ο ρόλος της εκπαίδευσης και του σχολείου, ο οργανικός δεσμός όπως εκφράζεται με τη συμμετοχή στην αγορά εργασίας, τις συνδικαλιστικές οργανώσεις και τις επαγγελματικές ενώσεις, ο δεσμός των προσωπικών επιλογών και ο ρόλος της τοπικής κοινωνίας και των φιλικών και προσωπικών δικτύων και τέλος, ο δεσμός της εθνικής και πολιτικής ταυτότητας με τη συμμετοχή στα κοινά και σε πολιτικά κόμματα. Την αναλυτική και ερμηνευτική ικανότητα του ταξινομητικού σχήματος που προτείνει, η συγγραφέας τη δοκιμάζει χρησιμοποιώντας ως περίπτωση μελέτης την Ελληνική κοινωνία, με ιδιαίτερη αναφορά στις διαδικασίες αποκλεισμού και ενσωμάτωσης των μεταναστών.

Το τέταρτο μέρος του βιβλίου αφιερώνεται στη θεσμική προσέγγιση και το ρόλο του κοινωνικού κράτους ως θεματοφύλακα των ανθρωπίνων δικαιωμάτων, ιδιαίτερα για τις πλέον ευάλωτες κοινωνικές ομάδες. Με βάση τη διάκριση του Marshall, εξετάζεται η έκταση στην οποία τα αστικά,

πολιτικά και κοινωνικά δικαιώματα αποτελούν δημόσια αγαθά προσβάσιμα από όλα τα μέλη της κοινωνίας. Κύρια διαπίστωση αποτελεί ο περιορισμός της συμμετοχής και η συρρίκνωση των κοινωνικών δικαιωμάτων κατά τη διάρκεια των δύο τελευταίων δεκαετιών, οδηγώντας στην παραγωγή διαδικασιών ακραίου αποκλεισμού. Το πρόβλημα είναι ιδιαίτερα εμφανές στην Ελλάδα, όπου έχουν πλέον διαμορφωθεί συνθήκες ελλείμματος στην άσκηση των κοινωνικών δικαιωμάτων και στην προσφορά κοινωνικών παροχών και υπηρεσιών.

Η διαμόρφωση των πολιτικών για την καταπολέμηση του κοινωνικού αποκλεισμού και το κατά πόσο αυτές είναι αποτελεσματικές αποτελούν αντικείμενο του πέμπτου μέρους του βιβλίου. Ιδιαίτερη έμφαση δίνεται στις πολιτικές της Ευρωπαϊκής Ένωσης και κυρίως τις πολιτικές απασχόλησης με στόχο την επαγγελματική και κοινωνική ένταξη των μελών μιας κοινωνίας, καθώς επίσης και τις στοχοθετημένες πολιτικές κατά του αποκλεισμού συγκεκριμένων κοινωνικών ομάδων. Εκτός αυτού, καταγράφονται και οι εθνικές πολιτικές όπως φαίνονται μέσα από τα Εθνικά Σχέδια Δράσης για την Απασχόληση και την Κοινωνική Ένταξη που έχει καταθέσει η Ελλάδα στο πλαίσιο της Ανοικτής Μεθόδου Συντονισμού. Τέλος, επιχειρείται μια αποτίμηση των πολιτικών σε τοπικό επίπεδο αναφορικά με τη σχέση των τοπικών κοινωνικών δομών με ευπαθείς ομάδες όπως οι μετανάστες, οι τσιγγάνοι, οι γυναίκες, οι ηλικιωμένοι, οι νέοι και τα άτομα με αναπηρίες.

Στον επίλογο του βιβλίου εκφράζονται κάποιες σκέψεις για την εξέλιξη του φαινομένου του κοινωνικού αποκλεισμού στις παρούσες συνθήκες οικονομικής κρίσης. Αξίζει να επισημανθεί ο φόβος που εκφράζεται ότι η υφιστάμενη χρηματοπιστωτική κρίση συνδέεται άμεσα με την κρίση των κοινωνικών αξιών και αυτό είναι δυνατό να οδηγήσει στην αποδοχή μιας ηθικής ανοχής και αποδοχής της συρρίκνωσης και πιθανά και της πλήρους κατάργησης των κοινωνικών δικαιωμάτων, ανοχής και αποδοχής κάθε μορφής κοινωνικής παθολογίας και ακραίου αποκλεισμού, ανοχής και αποδοχής της διάρρηξης του κοινωνικού αποκλεισμού, με συνεπακόλουθο την εγκαθίδρυση συνθηκών ανασφάλειας.

Επανερχόμενοι στον «Πύργο» του Kafka, ο «Κ», οι αρχές διοίκησης και οι χωρικοί, έχουν ένα κοινό χαρακτηριστικό: την περιορισμένη γνώση για τη φύση και την επίδραση όλων των μηχανισμών που παρεμποδίζουν την πρόσβαση του «Κ» στον Πύργο. Εάν κάποιος μπορούσε να συνθέσει τις οπτικές και των τριών μερών, θα ήταν πιθανά δυνατή η επίλυση του προβλήματος. Αυτό ακριβώς είναι το πρόβλημα και το παράδοξο της κατάστασης: προκειμένου να κατανοήσουμε τους κρυφούς μηχανισμούς που αποκλείουν τους ανθρώπους, πρέπει να μην παραμείνουμε δέσμοι των αποτυχιών μιας θεσμικής προσέγγισης αλλά να αποκτήσουμε πρόσβαση στις εμπειρίες και να ακούσουμε τις φωνές των ίδιων των κοινωνικά αποκλεισμένων. Μεθοδολογικά αυτό σημαίνει μια οπτική που να συνδυάζει την εμπειρική παρατήρηση, τη θεμελιωμένη θεωρία και τη θεσμική ανάλυση. Και ένα τελευταίο σχόλιο: ο Kafka δεν ολοκλήρωσε ποτέ το συγκεκριμένο βιβλίο του. Σαν η συγκυρία να υπονοούσε ότι μορφές κοινωνικού αποκλεισμού πάντα θα υπάρχουν και η πάλη εναντίον τους δεν έχει τέλος σε κοινωνίες των οποίων η οργάνωση βασίζεται σε ιεραρχικά πρότυπα που αναπαράγουν ανισότιμες σχέσεις. Τραγική ειρωνεία; Ίσως. Μήνυμα για αλλαγή; Σίγουρα.

Χαράλαμπος Οικονόμου  
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**Report realised by**



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## ΟΔΗΓΙΕΣ ΠΡΟΣ ΤΟΥΣ ΣΥΓΓΡΑΦΕΙΣ

Τα κείμενα υποβάλλονται στα ελληνικά ή στα αγγλικά. Οι συγγραφείς δεσμεύονται ότι δεν έχουν δημοσιεύσει ή υποβάλει προς κρίση τα άρθρα τους σε άλλο έντυπο. Σε περίπτωση δημοσίευσης παρόμοιου άρθρου, αυτό δηλώνεται από τον συγγραφέα. Υποβάλλονται τέσσερα ταυτόσημα κείμενα και ένα σε ηλεκτρονική μορφή στην επόμενη διεύθυνση του εκδότη.

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Τα άρθρα αξιολογούνται από δύο τουλάχιστον ανώνυμους κριτές. Το όνομα και τα άλλα στοιχεία του συγγραφέα, καθώς και ο τίτλος του άρθρου πρέπει να υποβάλλονται σε ξεχωριστή σελίδα από το κυρίως σώμα (τίτλος, κείμενο, βιβλιογραφικές αναφορές). Τα υποβαλλόμενα άρθρα πρέπει να συνοδεύονται από δύο περιλήψεις, όχι μεγαλύτερες των 100 λέξεων, και πέντε λέξεις-κλειδιά στα ελληνικά και τα αγγλικά. Η έκταση των άρθρων πρέπει να κυμαίνεται μεταξύ 6-8.000 λέξεων, συμπεριλαμβανομένων των περιλήψεων και αναφορών. Τα χειρόγραφα των άρθρων που απορρίπτονται δεν επιστρέφονται.

Για τις αναφορές χρησιμοποιείται το σύστημα Harvard. Οι αναφορές στο κείμενο περιλαμβάνουν το επώνυμο του συγγραφέα και το έτος έκδοσης της δημοσίευσης, π.χ. (Esping-Andersen, 1990, Kleinman and Piachaud, 1993). Οι άμεσες αναφορές πρέπει να δίνουν και τον αριθμό της σελίδας ή των σελίδων, π.χ. Ferrera et al., 2002: 230. Σε περίπτωση περισσότερων αναφορών του ίδιου συγγραφέα για το ίδιο έτος, πρέπει να χρησιμοποιείται η διάκριση με α, β, γ κ.λπ. για το έτος. Οι βιβλιογραφικές αναφορές (όχι βιβλιογραφία) καταχωρούνται αλφαβητικά στο τέλος του κειμένου. Παρακαλούνται οι συγγραφείς να επιμελούνται την ακριβή αντιστοίχιση των αναφορών του κειμένου με τον αλφαβητικό κατάλογο των βιβλιογραφικών αναφορών στο τέλος του κειμένου και το αντίστροφο. Η αναφορά σε βιβλία πρέπει να δίνει το όνομα του συγγραφέα, το έτος έκδοσης, τον τίτλο του βιβλίου, τον τόπο έκδοσης και την επωνυμία του εκδοτικού οίκου. Π.χ. Scharpf F., (1999), *Governing in Europe: Effective and Democratic?* Oxford: Oxford University Press. Η αναφορά άρθρων σε περιοδικά πρέπει να δίνει τόμο, τεύχος, σελίδες, καθώς και τον τίτλο του άρθρου σε απλά εισαγωγικά. Για παράδειγμα: Atkinson A.B., Marlier E. and Nolan B., (2004), "Indicators and Targets for Social Inclusion in the European Union", *Journal of Common Market Studies* 42: 47-75. Αναφορές σε κεφάλαια συλλογικών τόμων καταχωρούνται με τον τίτλο του κεφαλαίου σε απλά εισαγωγικά, ακολουθούμενο από τον συγγραφέα και τον τίτλο του συλλογικού τόμου. Π.χ. Leibfried, S. and Pierson, P. (1995) "Semisovereign Welfare States: Social Policy in a multitiered Europe", in: Leibfried S. and Pierson P., (eds), *European Social Policy: Between Fragmentation and Integration*, p.p. 43-77, Washington D.C.: The Brookings Institution. Οι τίτλοι των βιβλίων και περιοδικών γράφονται με πλάγια γράμματα. Συνιστάται οι επεξηγηματικές σημειώσεις να είναι οι ελάχιστες δυνατές. Εάν κρίνονται απαραίτητες, τότε πρέπει να αριθμούνται στο κείμενο και να παρατίθενται στο τέλος του άρθρου. Επίσης, στο τέλος παρατίθενται και οι τυχόν ευχαριστίες. Άρθρα που δεν συμβιβάζονται με τις παραπάνω οδηγίες επιστρέφονται στον συγγραφέα για την ανάλογη προσαρμογή.

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