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EU and the structure of the Greek Economy

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Abstract:
In this paper we examine the institutional and economic framework of Greece during the '70s and the '80s and ask the question of why did Greece's elites decided to change their operating model by binding their future with the EU and EMU. Our main finding is that the decision to integrate into the EU institutions was mainly a political decision interwoven within the process of bailing out the private sector after the crisis of the '70s. In particular, it provided the necessary funding for the completion of the restructuring process that started in the mid '70s together with the political support coming from the luster of a national goal. This restructuring took place under the auspices of the EU and led to a huge fall in agriculture, food dependency and stabilisation of industry to a new, lower level with a structure that complies with the specific integration of Greece in the particular EU division of labour.

JEL: N1, E2, B5

Keywords: Greece, Crisis, EU, EEC

Introduction

The current economic crisis in Greece has caused a renewed interest to the particular institutional and economic regime existing in this country. The main driving force has been the current joint IMF-EU-ECB 110 billion Euros emergency loan that has come under strict conditionality of specifically altering a regime that was assumed incapable of providing growth anymore through its traditional sources. Moreover it has also been suggested, from a radical perspective, that the particular solutions, given to the crisis of the 1970s and the institutional framework that developed afterwards, are interwoven with the current crisis (Maniatis 2011).

The severe economic and financial crisis that started in 2007 has brought great pressure and a sharp change into the regime of accumulation. After trying to contain the crisis with some Keynesian measures of boosting consumption through deficit spending (2007-2009) and diversifying international relations to include emerging powers such as China and Russia, especially in energy and transport contracts, the Greek elite, aligned with EU, shifted its policy to full blown austerity and an attack to labour (RMF 2010b). The other two choices, namely transforming the eurozone or exiting the euro were not even discussed; the former was unrealistic and self-contradictory, while the latter was against the interests of capitalists especially of the core European countries (RMF 2010a).

The main weaknesses of the Greek economy were identified by the European Commission (2010) to be external imbalances, persistent fiscal imbalances, high levels of government debt and rigid labour and product markets. Overcoming those problems was set as a medium-term goal focusing on the improvement of competitiveness and altering the economy’s structure towards a more investment- and export-led growth model.

Thus the question is why those imbalances occurred and how did they developed over time. More specifically, it is examined what is the relation of those imbalances with Greece’s accession in the EU and EMU. We are particularly concerned here on the reasons and the results from entering the European Union (EU) in 1992 and the Economic and Monetary Union (EMU) later on.

During the 1990s, accession into the Eurozone and further integration of Greece into the hard core of EU were projected as national goals. This argumentation came amidst a crisis coming from the 1970s and strong rise of labour movement. So, the main question is whether the economy is the trump card of Greece, as one of her ex prime ministers used to say, or is she a fake altogether, a country that used the EU in order to stop producing and start consuming on borrowed money.

To the matter at hand, what we found is that there was no clear evidence of de-industrialisation, nor a subsequent turn to services. Restructuring took place, but it was of a different nature and related to the special role that Greece undertook in the peculiar EU division of labour, as the front door and the hallway of the EU to the East.

Specifically, agriculture was given away to food monopolies of the north, through the Common Agricultural Policy. There was an internal restructuring of the industrial sector away from manufacturing to other industrial branches, like construction and transportation, storage and communications. Trade deficit reflected this restructuring, but the trade sector didn't show any dynamism due to extensive centralization and inflow of foreign capital. Finance and its core, banks, expanded enormously but that sector didn't do much due to extensive privatizations, centralization and partially due to buy outs from foreign capital. The state kept on rising but with a much slower pace and it seems as if this rise was produced partly by the inertia of the 1980s, partly by the needs of the bourgeoisie and partly as a response to class struggle. Services did grow, although not much. It is true that Greek economy benefitted from the coming of tourists from northern European countries and the workings of tour-operators. In a sense Greece has integrated into the European market by specializing: (a) as an outsourced management, banking, transportation and logistics hub of north European manufacturing capital in South Eastern Europe and (b) as a tourism heaven for north European (mainly British and German) workers.

The rest of this paper will be structured as follows. The next part provides a brief historical overview of the development of economic conditions during the first part of the second half of the 20th century. The third part provides basic macroeconomic data for the examined period that led to the accession in the EEC and the EU. The reasons for this decision are briefly assessed. In the fourth part, the sectors on which the analysis will be based on are constructed and data is provided concerning the contribution of the sectors in total value added, employment and suggestive evidence of centralization in each sector. The structure of net exports by group of products and by partner follows and the part is completed with the form of inflows of capital. Finally, in the last part all the pieces are put together and conclusions are drawn.

Historical Overview

The first part of the second half of the 20th century was a period of extreme social and political tensions for Greece. The major problem of the 1945-1974 period was the formation of a right-wing police State, as a result of the civil war (1944-1949), that failed to provide a social contract for all of its citizens (Alogoskoufis 1995). Contrary to what happened in the West, peace at the working place was not the result of more or less democratically practiced collective bargaining, but of institutionalized repression of the workers.

Given that context, despite the rapid growth of GDP that took place during the period, the proceeds of growth were extremely unevenly distributed between classes. Workers share in the national product fell substantially over the period from 54.2 per cent in 1958-1960 to 43 per cent in 1971-1973 (Papantoniou 1979). Those contradictions led to the collapse of the social status quo (1963-1967) and the ultimate emergence of a US led military dictatorship (1967-1974) culminating with a defeat in a limited war with Turkey over Cyprus (1974).

The global collapse of the Golden Age regime of accumulation and the severe economic crisis that followed during the 1970s and 1980s stressed the need for a social and economic reorientation. Thus, the restoration of democracy after 1974 was made in conditions of institutional collapse, a prolonged lack of an operable social contract, national disaster and economic crisis.

The elites of Greece, faced with hard national and social choices and also with the collapse of their operating model which was based on repression, chose to integrate into the European Economic Community structures, in order to achieve international backing for a new domestic institutional framework that would allow for social and national peace (Greek Ministry of Foreign Affairs 2011). The steps taken in that direction were: (a) to reduce direct USA involvement in domestic policy and especially NATO control over the army by removing Greece from the military wing of NATO *à la* France, (b) to re-open negotiations for EEC accession that were blocked during the period of military dictatorship, (c) to nationalize a number of companies that were either crisis hit, or gave direct support to the military dictatorship. The latter proved to be a key factor for the choices that followed.

The old political system constituting of a nationalistic right, a democratic centre and an almost illegal coalition of the left was now shifted to the left: centre right, social democracy and the now legal communist party. This transformation of the political system was the necessary precondition in order to complete other major transformations that were inhibited by the old political system that resulted from the civil war (Kazakos 2009); namely, the expansion of the welfare state (wage and job security, nationalized health system), the "democratization" of the State, the opening up of higher education for the masses, the restraint of the paramilitary groups and the reform of the army and the police force.

From the Golden Age to the EEC and, from there, to the EU

a. Discontinued convergence

Growth rates between Greece and advanced capitalist countries followed similar patterns during most of the post-world-war period. An initial era of high growth (or golden age period) that lasted until the early 1970s was followed by a twenty years period of slow growth, stagnation and crisis until the early 1990s.

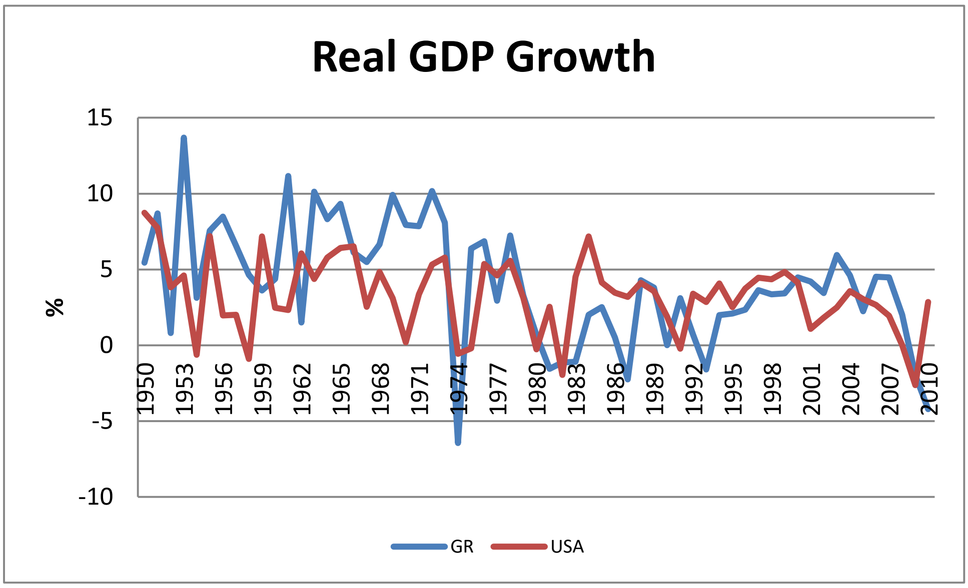

Figure 1a, IMF, International Financial Statistics (April 2011). Annual series

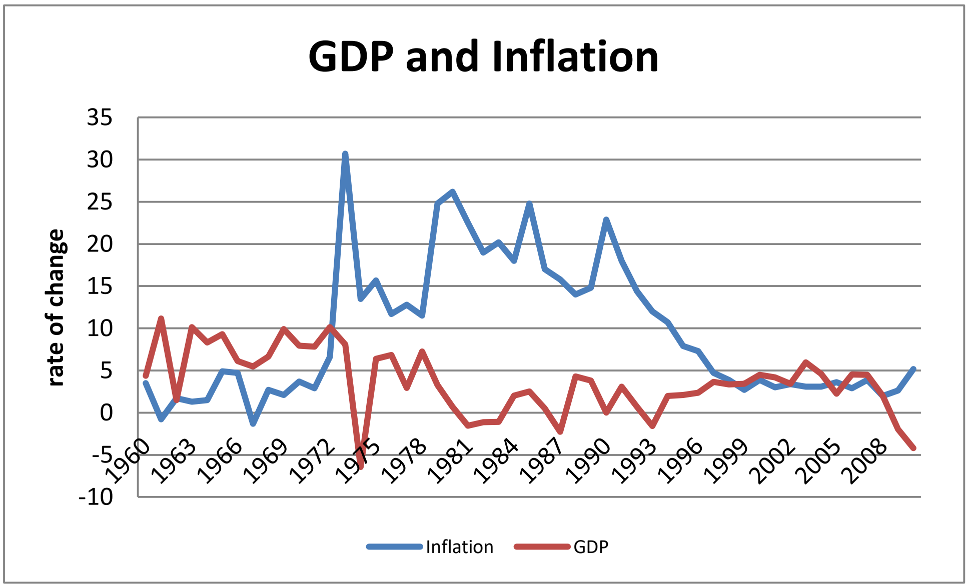

Figure 1b, IMF, International Financial Statistics (April 2011). Annual series, HEL.STAT series for annual CPI

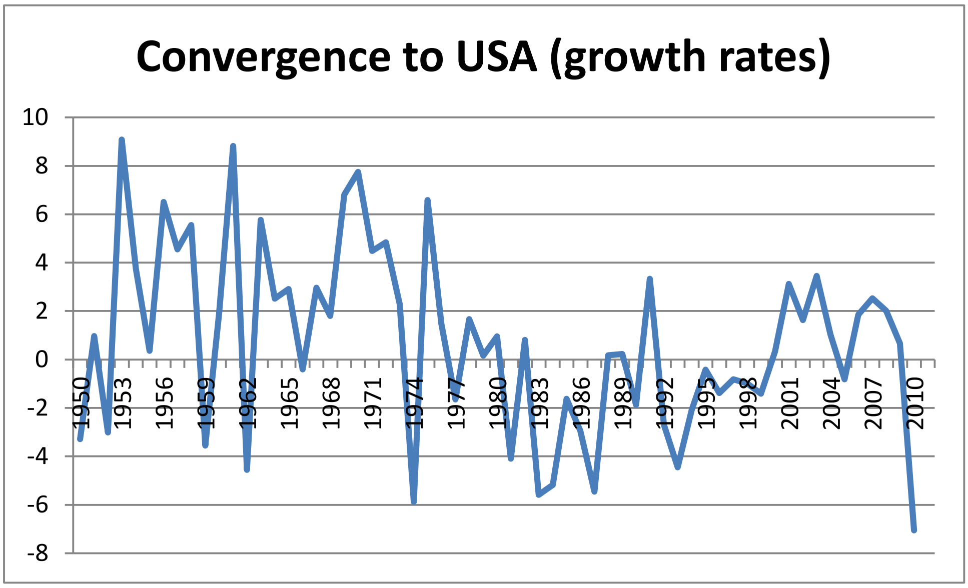

Figure 2 IMF, International Financial Statistics (April 2011). Annual series

For the Greek economy, the first period lasts between 1950 and 1973, totalling 24 years of continuous growth with an average growth rate of 7 per cent. At the same time inflation is kept under check 2.57 per cent and exploding to 30.7 per cent in 1973. This indicates a quick convergence of the Greek economy with the more advanced capitalist economies, as proxied by the US economy that was growing at an average rate of 4.2 per cent over the same period. The basic structural change in the economy during that period was the completion of the industrialization process that had started in the 1930s and was stalled by the turmoil of the 1940s (Papantoniou 1979, Samaras 1978). It has to be noted that the industrialization was one sided, with no attempt made to create a heavy industrial base in the country (Samaras 1979).

Fragiadakis (2007), unconventionally, points that the stop in the industrialisation process was a blessing in disguise, since it saved Greece from experiencing the severe deindustrialisation that other countries suffered during the 1980s and 1990s. In particular it opened the prospect for a transformation of the economy towards a services oriented model along the lines opted by most advanced capitalist countries.

The second period lasts between 1974, the year that the economy experiences its first post war recession, and 1993 that is the last recession year for the Greek economy before the present one. This is the period of significant restructuring away from a manufacturing growth model towards other industrial branches and services. Out of 20 years, the 7 years were years of negative or zero growth (1974, 1981, 1982, 1983, 1987, 1990, 1993) with an average growth rate of 1.51 per cent, significantly lower than the previous period. The period is characterised by high inflation averaging at 18.41 per cent. Moreover, due to the agonisingly slow pace of the transition, the Greek economy was diverging from advanced capitalist economies, as during the same period the US economy was growing at an average rate of 2.81 per cent. Ioakimoglou and Milios (1990), and Maniatis (2005), point at a falling profit rate as the main cause for stagnation, brought by a faltering investment rate. Thus, the transition period after the end of the "golden age" period marked not only the Greek late 1970s, but also the 1980s.

b. Lack of an efficient private sector: The exception of Maritime Transport

A core issue for the Greek economy during the 1970s and the 1980s was the deteriorating shape of the private sector. Throughout the period the core of the economy was in the hands of the state. The bulk of the banking system, the energy company, the telecommunications and the post company, air transports, trains, the shipbuilding yards and a lot of other less important or smaller companies were public companies nationalized in the course of time, from the mid-1960s until the mid-1980s.

The private sector was confined to trade and manufacturing, with the latter being heavily bailed out after the late 1970s as a response to the crisis of the period. Trade, on the other hand, was spread out to a large extent, dominated by small and very small private firms.

The only sector that private enterprises prevailed strong, establishing an international position, was maritime transports. Although a separate research is needed for this sector of the Greek economy some trends can be identified.

The 1970s mark the high period of Greek shipping with the merchant fleet rising from 489 ships in 1952 to 3951 ships in 1979. During the same period the average size of ships constantly grows from 2597 GWT in 1952 to 9830 GWT in 1979 indicating the transition of Greek shipping industry into a player with global transport capabilities. During the 1980s, the case is more complex as the number of ships falls to 2138 by 1986 to stabilize at that level, but the average size continuous to increase throughout the period, indicating a transition to bigger capacities through the scrapping of smaller vessels.

It has to be reminded that the figures are for Greek flag ships only and not for Greek owned vessels, the former being a fraction of the latter. The use of convenience flags has been widespread especially after the 1970s for reasons of tax evasion and reduced surveillance requirements. The traditional ability of shipping to change flags proved to be of paramount importance as it limited the interest of the most advanced segment of Greek industrialists for their own state.

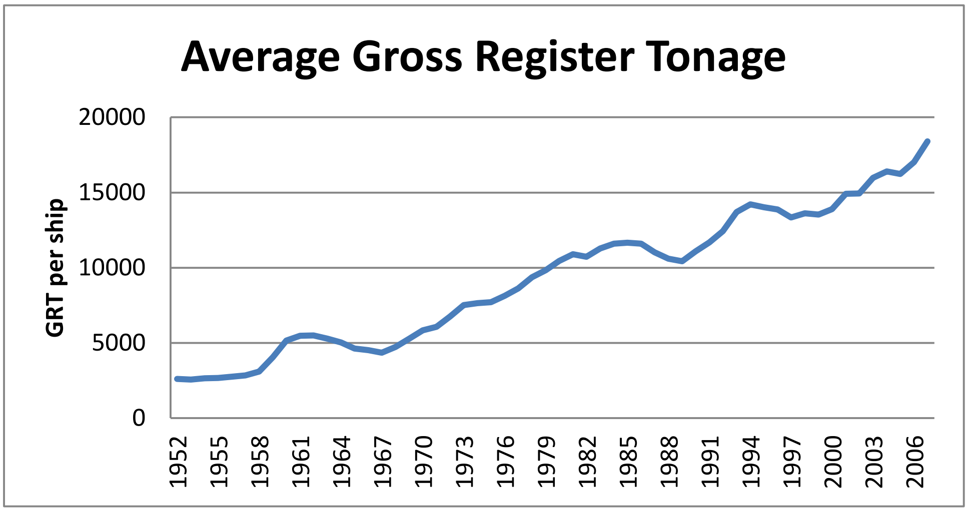

Figure 3 Average Gross Register Tonage Source: Shipping Statistics, Annual Series, Own Calculations

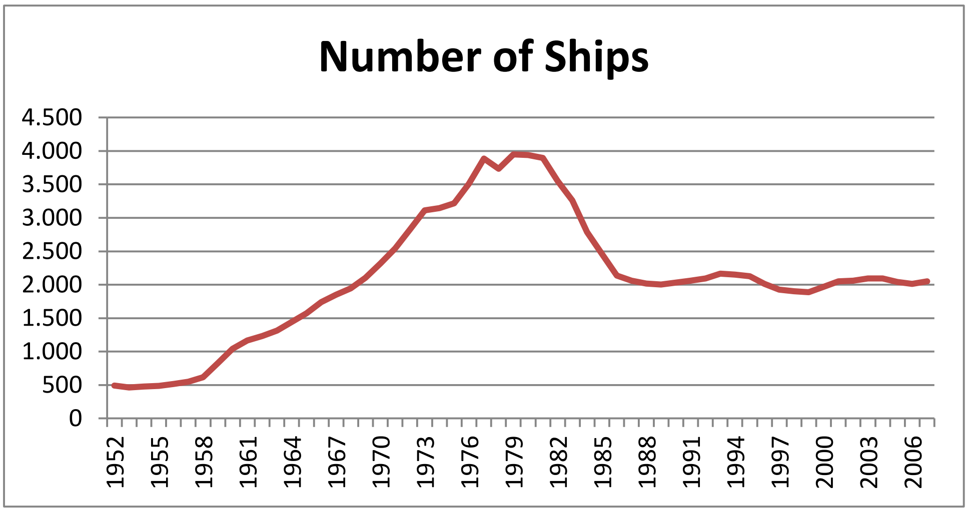

Figure 4 Number of Ships Source: Shipping Statistics, Annual Series, Own Calculations

c. Rising Unemployment and Political Crisis

Turning to unemployment, in the 1980s, it was sustained at the relatively high levels of 10 per cent, reflecting the stagnation of this period.

Nevertheless, with the accession of Greece into the EU official unemployment reached a peak at 12.1 per cent in 1999 and then steadily declined to 7.7 per cent in 2008. Thus, although between 1992 and 2001 the economy was growing, this growth had the bizarre effect of creating a double-digit unemployment rate.

The government and mainstream press explained the rise in unemployment as a necessary step of structural adjustment that would make the economy more competitive. The mass of unemployment can be possibly attributed to two factors: (a) the declining importance of manufacturing as a job creating sector and (b) the end of direct state involvement as employer in a number of sectors through waves of privatizations[1]. This is particularly true for the 1990-1993 period that sees a sharp 2.2 per cent increase in unemployment.

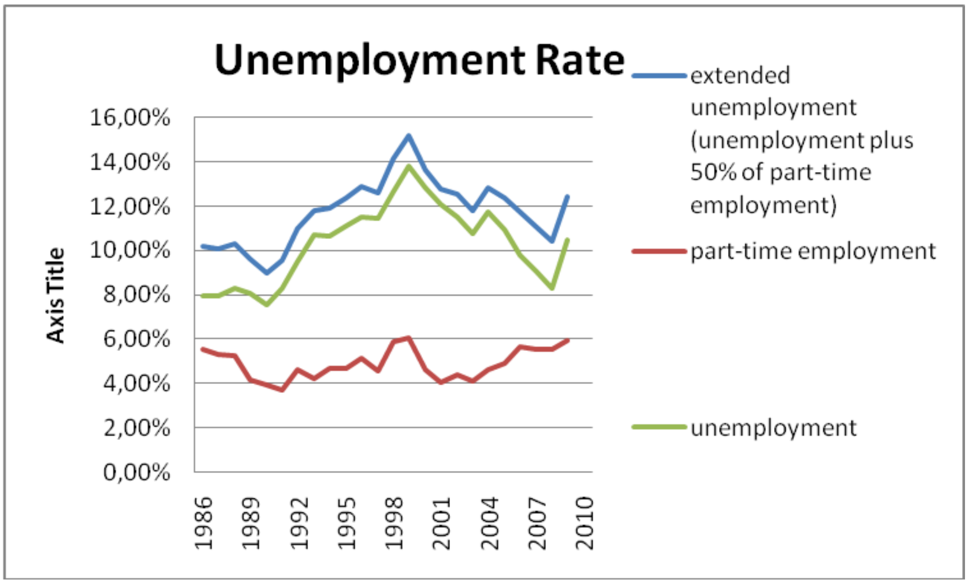

Figure 5 Unemployment rate, incorporating part time employment, 1986-2008. Source: Part time employment series from Eurostat, Unemployment and Employment rate and levels from IMF International Financial Statistics (June 2010). Annual series, own calculations

Between 2002 and 2008 unemployment falls mainly because of the combined effect of the Olympic Games boost, and increasing debt financed consumption. The reader should also bear in mind that official statistics tend to underestimate unemployment, mainly because of the way the official unemployment statistics are formulated and secondarily because of the increasing importance of part time labor that is also a form of semi unemployment. This is captured in figure 3 by extended unemployment which incorporates 50 per cent of part-time employment.

An overview of the evolution of the class struggle, proxied here by strikes and lockouts, will be insightful in pinpointing late 1980s and early 1990s as a critical turning point of the Greek economy. The next chart reveals that during that period strikes and lockouts proliferate enormously. The results are the same if the number of strikes and lockouts, or the workers participating in the latter, are examined. The temporary fall of 1989 is identified with a year that was marked by three consequent elections, thus turning attention away from immediate class struggle.

[1] Privatizations started shyly, which was expected considering political instability and the level of social tension. The first company that privatization was attempted was the Company of Civil Transport, public since 1977. The Organization of Telecommunications followed in 1996, but it took almost a decade for its full privatization. The Public Energy Company is being gradually privatized since 2001. Shipbuilding yards are still in the process of privatization.

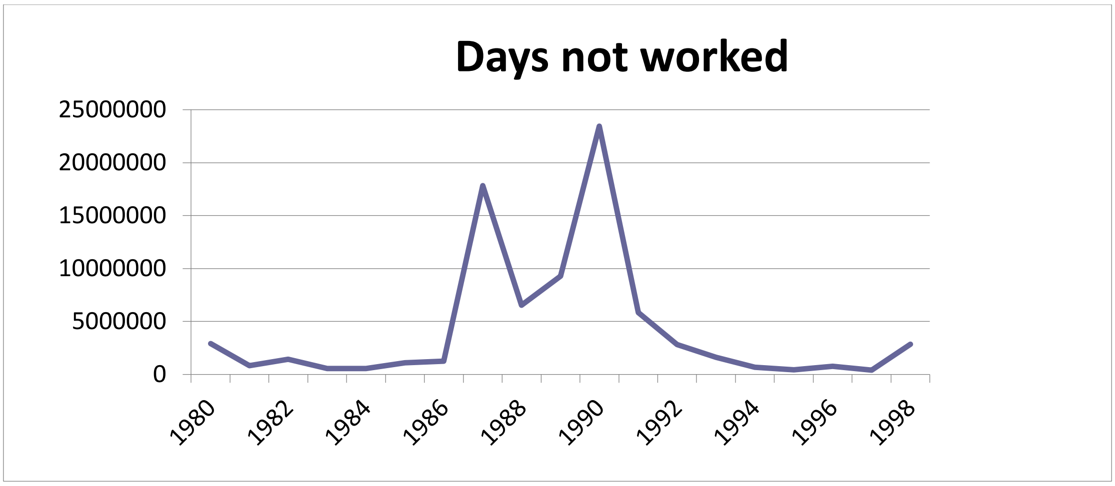

Figure 6 Days not worked, 1980-1998. Source: Laborsta, ILO 1996 – 2010 (after 1998 no official series exist)

In the political sphere after 1993[2], elections took place more regularly, although still in most cases untimely. The most important feature of the period is that the political system was never as unstable as it was in 1989-90, with two parties interchanging in power with no essential difficulty, at least until our days. Needless to say that none of the steps towards European integration was ratified by Greek people (Amsterdam Treaty, Lisbon Strategy, EMU).

d. Main GDP components: investment slug

In many ways, 1974 marked the year of a significant structural change (Alogoskoufis 1995). Investment peeks at 39.62 per cent of GDP in 1973 to decline to 20.85 per cent in 1992. This gap is filled almost exclusively by private consumption that rises from a trough of 60.60 per cent of GDP in 1973 to a high of 76.78 per cent in 1992. At a secondary level, government consumption also increases from 9.61 per cent of GDP in 1973 to 16.74 per cent in 1985, only to fall again to 13.85 per cent in 1992. During the period, the trade balance remains constantly negative at about 10 per cent of GDP. Thus, it is obvious that the Greek state's main response to the crisis of the 1970s, exemplified in the following chart by the collapse of investment, was to facilitate an increase in private and public consumption (Fragiadakis 2007). It is noted that public consumption, although low as a component of GDP, almost doubles in the 1973-1985 period.

[2] The government of Nea Dimokratia that signed the Maastricht Treaty in 1992, resigned one year after that, in the middle of its term.

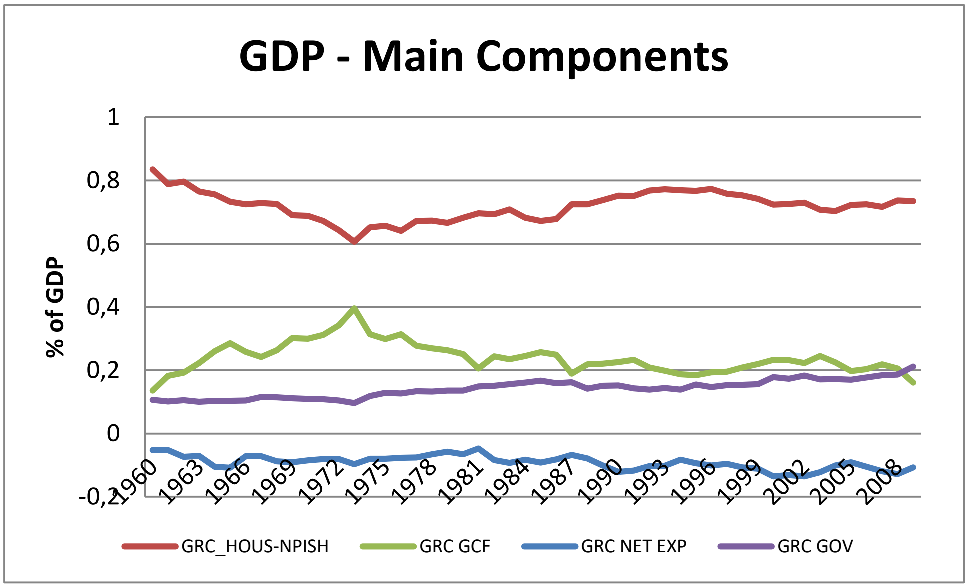

Figure 7 GDP, main components. Source: OECD, Annual National Accounts, vol. 20011, own calculations

Comparing Greece with other countries of the EU periphery that shared similar political experiences during the 1970s (Portugal and Spain) reveals an interesting story. The peculiarity of the 1970s and 1980s for Greece is profoundly seen in the statistics for private investment. Greece experiences a very severe boom bust investment cycle that bursts in 1974 and never recovers to previous levels. While peripheral and core countries shared similar experiences during the same period, as a result of the end of the Golden Age of post war development, nowhere is this cycle more severe than Greece. Michaelides et all (2005) point on the significance of changes in the taxation regime as the determining factor behind variations in the investment rate. Bosworth and Kolintzas (2002) also point on the significance of FDI.

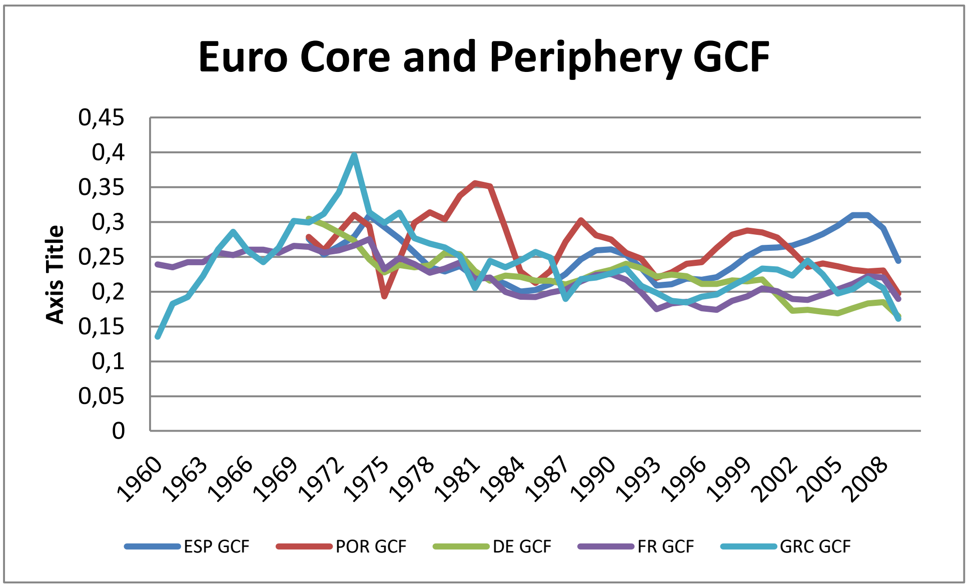

Figure 8 Source: OECD, Annual National Accounts, vol. 20011, own calculations

Turning to private consumption, Greece and Portugal saw increasing shares of private consumption as a percentage of GDP during the 1970s with Portugal, contrary to Greece, reversing the trend from the early 1980s onwards. The turning point for Greece happens during the 1990s but partially reverses after the early 2000s. Contrary to that in Spain, private consumption falls to the levels of France and Germany. While during the same period, core countries keep private consumption constant.

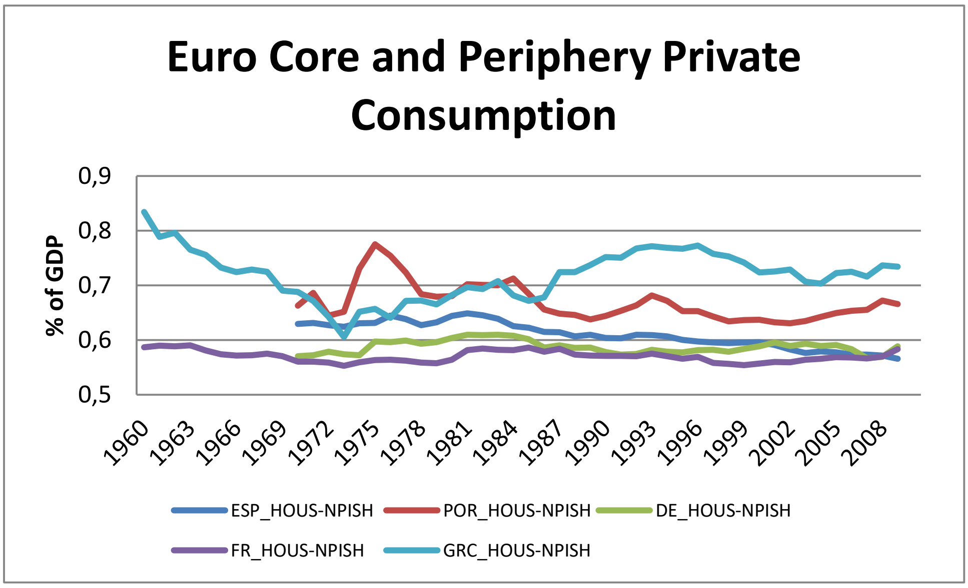

Figure 9 Source: OECD, Annual National Accounts, vol. 20011, own calculations

Turning to government spending, the picture is somewhat more uniform for the periphery, with all countries systematically increasing government spending during the period, from approximately 10 per cent of GDP to more than 15 per cent of GDP. As mentioned before, Greece reverses this trend after 1985 thus lagging behind. Core countries follow a similar pattern, with France increasing government spending from 15.16 per cent in 1960 to almost 22.8 per cent in 1992 and Germany following at almost the same level and trend.

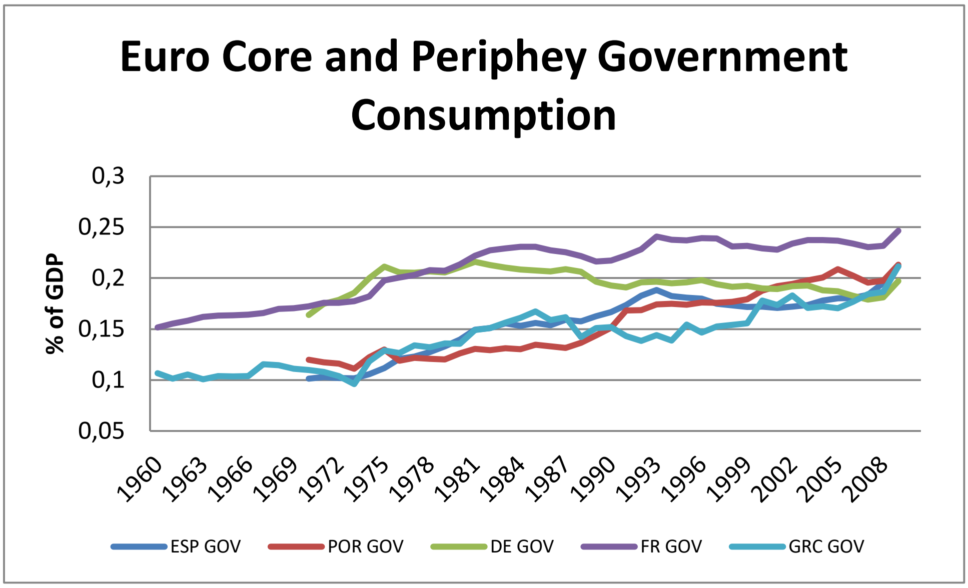

Figure 10 Source: OECD, Annual National Accounts, vol. 2011, own calculations

Finally, net exports series reveals a constant net trade deficit during the period similar to the one of Portugal. Spain, France and Germany over the same period have balanced trade accounts.

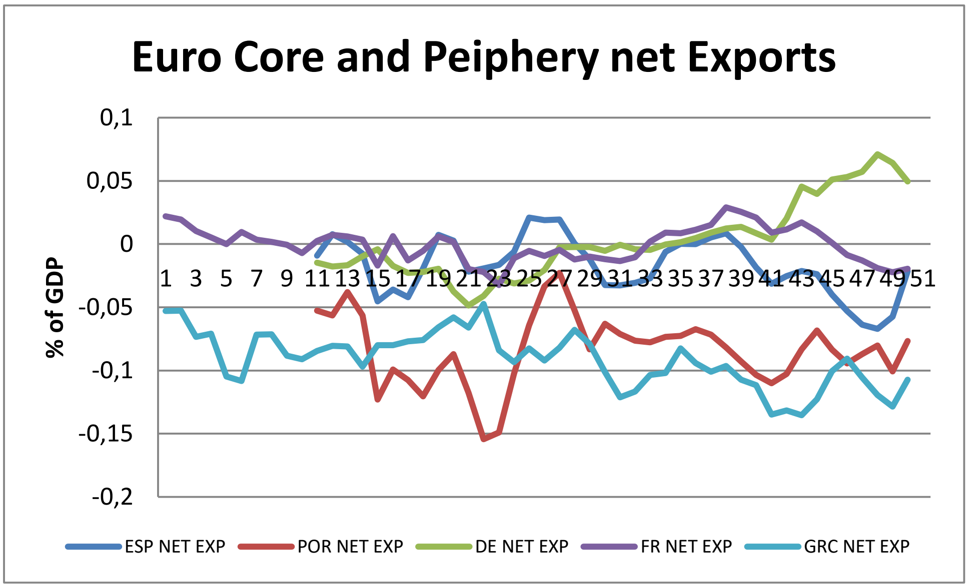

Figure 11 Source: OECD, Annual National Accounts, vol. 20011, own calculations

Thus, for Greece a higher than the periphery average private consumption rate is found to exist because of low public consumption. Moreover private consumption takes off during after the 1970s particularly because of decreasing investment.

e. Financing Consumption

The increasing rate of household consumption amidst a stagnating GDP had to be financed either by increasing wages, in the expense of profits, or by debt. Indeed, employee compensation in Greece rose from 28.04 per cent of GDP in 1970 to almost 40 per cent by 2009. One thing that is striking is that, the portion of GDP going to the compensation of employees is very small for Greece, even compared with other peripheral countries, such as Spain. In any case, this modest rise in compensation was apparently not sufficient to sustain household consumption. Domestic Savings were also unable to finance the rise in consumption. In fact, net savings fell dramatically over the period from 22.69 per cent of GDP in 1970 to less than 10 per cent by 2000, thus converging towards other EU countries.

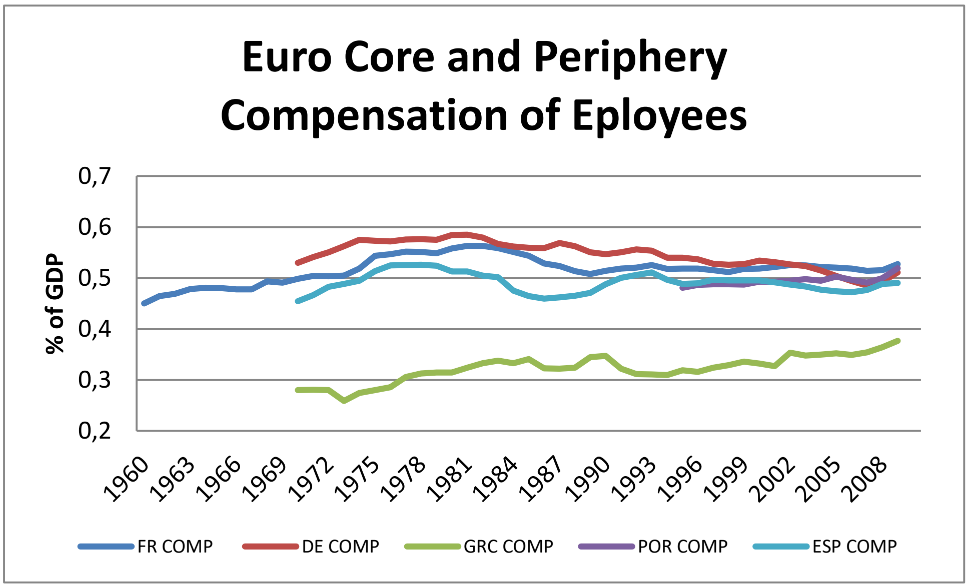

Figure 12 Euro Core and Periphery Compensation of Employees Source: IMF, Balance of Payments, Country Data, Analytic Presentation April 2011

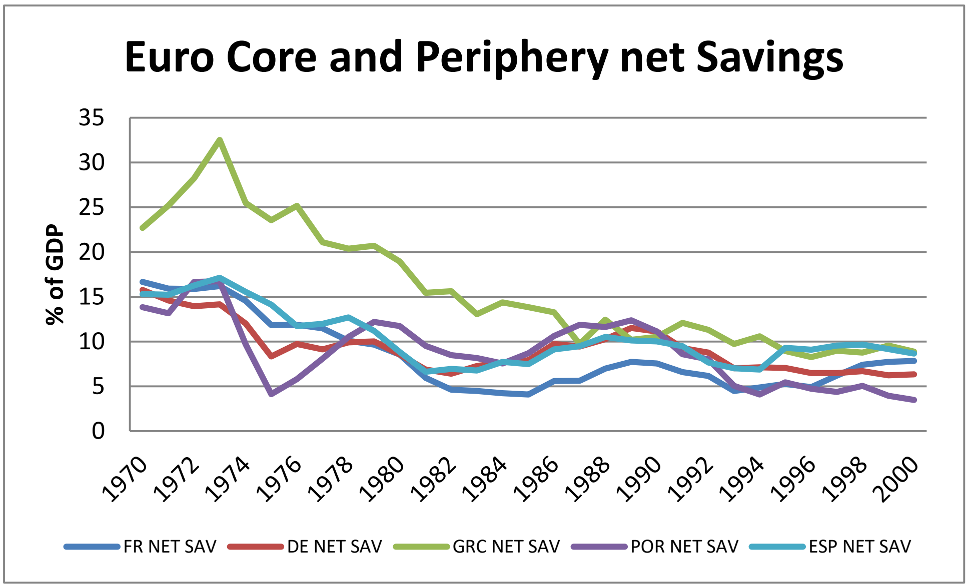

Figure 13 Euro Core and Periphery Net Savings Source; IMF, Balance of Payments, Country Data, Analytic Presentation April 2011

Since net savings were falling and compensation of employees, although rising, was substantially lower than the EU average, the only source of funding of private and public consumption were increases in debt, both private and sovereign. The latter simply exploded during the 1980s to unprecedented heights. The explosion of public debt during the 1980s has been described as a process of economic populism (Kazakos 2009) that financed a smoother restructuring instead of a process that would have raised the necessary taxes for the same purpose.

Figure 14 IMF, Balance of Payments, Country Data, Analytic Presentation April 2011

f. Current and Financial Accounts

The current account deteriorates throughout the 1970s and the 1980s falling peak to trough by 2 billion US dollars. During the last part of the period, a stop-start episode of consolidation occurs. Starting in the mid 1980s the current account deficit is cut back to 1 billion to immediately deteriorate again to 3.5 billion and then to be cut again to 1.5 billion. This is a period of great political instability that effectively undermines the consolidation process, initiated by the social-democratic government of PASOK in 1985 and continued by the government of Nea Dimokratia in 1990.

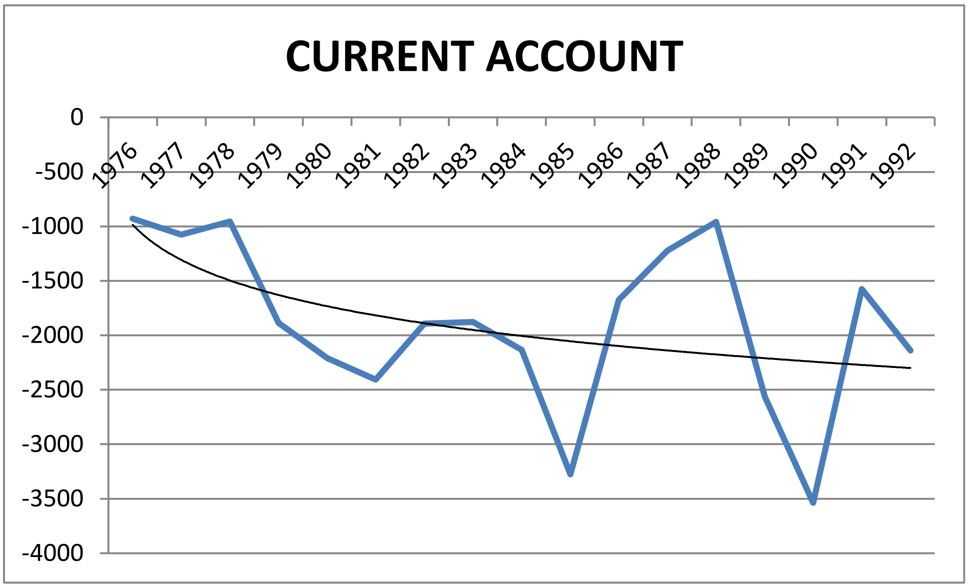

Figure 15 Current Account Source: IMF, Balance of Payments, Country Data, Analytic Presentation April 2011

The deterioration of the current account comes not mainly because of a deteriorating trade balance in goods and services, although the latter deteriorates dramatically at the late 1980s – early 1990s, but mainly because of a constant deterioration in the balance of income, as a result of increasing interest payments. The only reason that the current account does not collapse altogether is the increasing amounts of transfer payments coming from the EU, taking off after 1985 with the introduction of Integrated Mediterranean Programs.

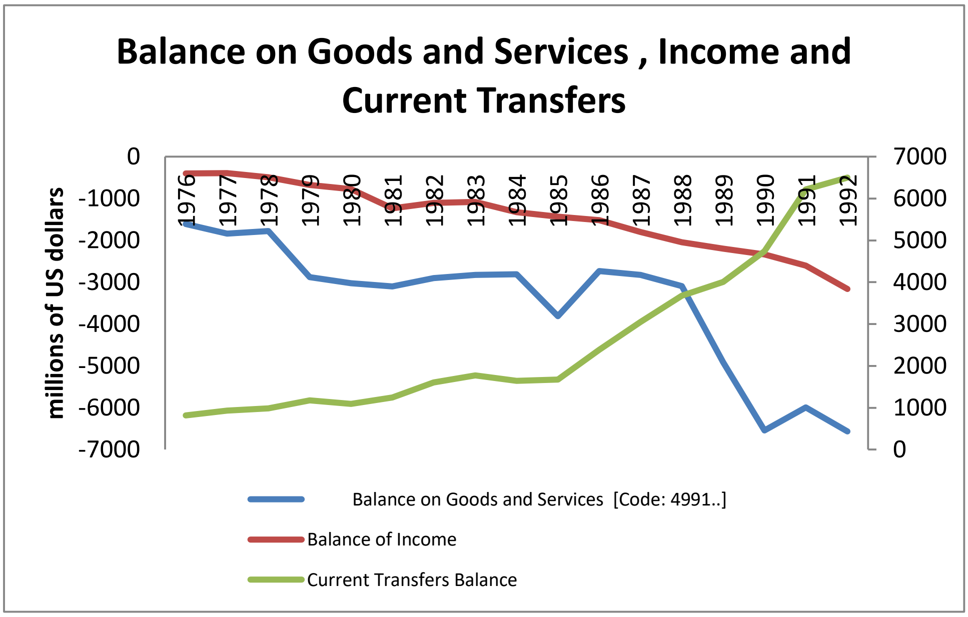

Figure 16 Balance on Goods and Services , Income and Current Transfers Source: IMF, Balance of Payments, Country Data, Analytic Presentation April 2011

The integration of the Greek economy into the single market had a major effect in the financial account of the country. From 1976 to 1992 the inflow of capital quadrupled from less than a billion US dollars in 1976 to 4 billion in 1991. The main beneficiary from this was the State, both directly and indirectly through monetary authorities, and the non financial sectors. Foreign Direct Investment, although increasing, remains very small throughout the period.

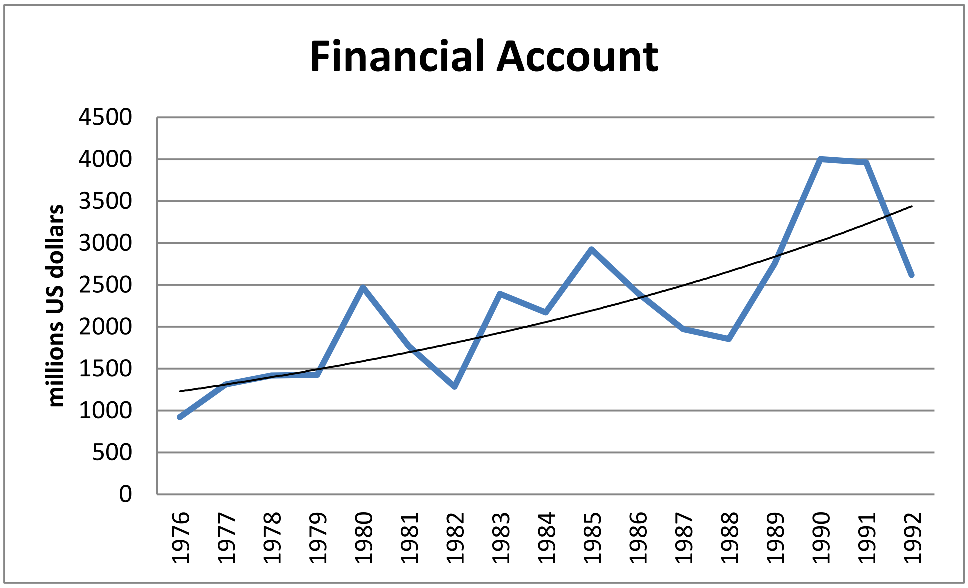

Figure 17 Financial Account Source: IMF, Balance of Payments, Country Data, Analytic Presentation April 2011

g. Assessing the reasons for integrating in the EEC and EU

In retrospect, access to international capital markets can be seen as the main driving force behind the accession in the EEC and EU. The main beneficiary from that outcome was the state and in particular the complex of industries and banks that formed the core of the direct state presence in the economy. The part of the economy that was directly under the control of the state grew substantially during the crisis of the 1970s and 1980s and a number of industries and banks were bailed out with the state stepping in to avoid and limit the destruction of fixed capital structures, painfully accumulated from the 1950, to the 1970s. This particular solution to the crisis via a prolonged smoothing out effect was forced mainly by political necessity, since the political situation was precarious for the ruling class, due to increased labour militancy.

In particular, accession into the EEC proved to be a way of funding the bailing out of those faltering sectors. Industries, agriculture and banks accepted the abolition of protective tariffs and capital controls as a means of acquiring funds in order to restructure. EU cohesion funds starting with Integrated Mediterranean Programs in 1985 proved to be the vehicle for this transition. At the same time, this process also served the purpose of sweating the pill for labour that was increasingly militant.

Therefore, accession into the EU and EMU cannot be fully justified simply by an economic perspective since it is reasonable to think that at least some part of businesses needed not to be bailed out and in fact could profit enormously by stepping up their holdings through mergers and acquisitions. The latter, instead of taking place from the start and through the market, were masked as nationalisations in the 1970s and 1980s, and privatisations during the 1990s and 2000s. In other words, centralisation and restructuring occurred through the state. This process is the object of the next part.

To recap the reasons for entering EU, suffice it to note that, in our view, political reasons were the main driving force.

The restructuring of the Greek economy

a. In terms of Gross Value Added and Employment

The structure of the economy is revealed by focusing on value added and employment by sector. The construction of the sectors is of primary importance. In our scheme there are 6 sectors.

Sector 1 is composed by agriculture, hunting, forestry and fishing (in short "Agriculture", which is by far the major component of the sector). The agricultural sector has a very low wage employment to total employment ratio, thus indicating a sector not properly dominated by capitalist relations of production. Although there is a trend of falling self-employment after 1992, the latter accounts for over 86 per cent.

Sector 2, "Industry", comprises mining and quarrying, manufacturing, electricity, gas and water supply, construction, transport, storage and communication. As for transport and communication, it should be noted that they are often listed as services and not as industrial branches, as they should, only because the output is not a tangible commodity[3]. The confusion arises from the fact that, in all other branches of industry, production and consumption of the output are separated, while in the transportation industry, the two processes coincide; that is "[t]he useful effect

[3] "But there are certain independent branches of industry in which the product of the productive process is not a new material product, is not a commodity. Among these only the communications industry, whether engaged in transportation proper, of goods and passengers, or in the mere transmission of communications, letters, telegrams, etc., is economically important." (Marx 1978)

is inseparably connected with the process of transportation, i.e., the productive process of the transport industry." (Marx 1978).

Sector 3, "Trade", comprises wholesale and retail trade. Retail sale of fuel, maintenance and repair of motor vehicles and motorcycles, as well as repair of household goods are included here. The nature of repairs is not identical to trade but this distinction goes beyond the scope of this paper and, after all, their contribution to the sector is minor.

Sector 4, "Finance", comprises finance, insurance (except compulsory social security), and real estate and business services.

Sector 5, "Services", comprises hotels and restaurants and other community, social and personal services, the latter consisting mostly recreational, cultural and sporting activities. It also comprises private households with employed persons, that is, servants in capitalists' households.

Finally, sector 6 is the "State" where public administration and defence, compulsory social security, education, health and social work are enlisted. It is noted that health and education are predominantly controlled by public institutions more or less providing services without a fee.

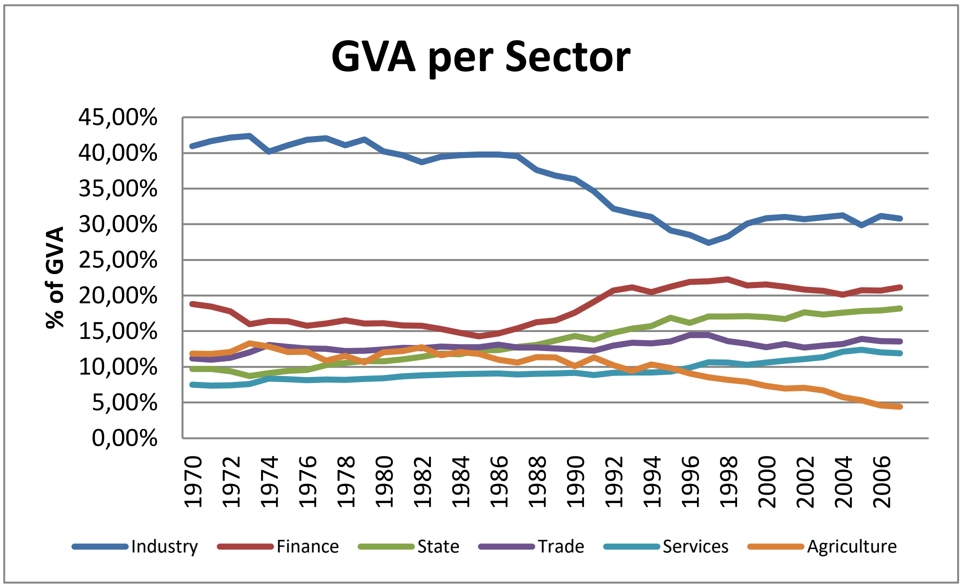

Figure 18 Contribution of each sector to GVA Source: EUKLEMS database, November 2009 release, March 2011 update

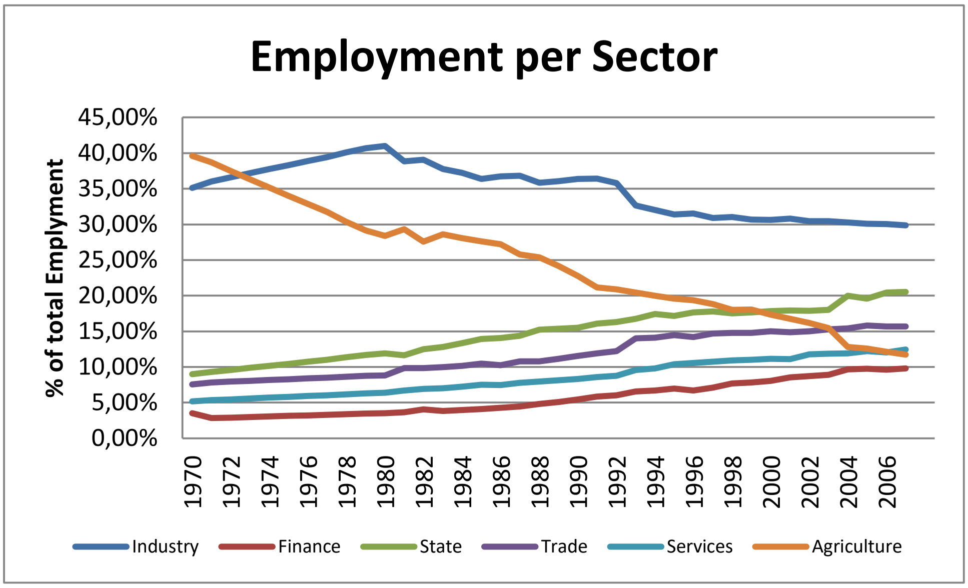

Figure 19 Employment by Sector Source: EUKLEMS database, November 2009 release, March 2011 update

The major event in the structure of the Greek economy during the 1970s and the 1980s was the inability of the industrial sector (mining, manufacturing, energy and telecommunications, construction and transportation)[4] to reap the benefits of a declining agricultural population. Throughout the period industry failed to increase in importance, constantly accounting for 35 to 40 per cent of aggregate employment and gross value added, with the latter ratio entering a rapid fall after 1987.

The inability of "Industry" to step up as a mass employer in the face of increasing urbanisation resulted in an increasing importance of the state (state, education, and health), circulation (finance, trade) and services sectors as sources of employment. The "State" and "Services" sectors in particular also saw a doubling of their share in aggregate GVA, together with the financial sector that rebounded after the mid 1980s from a steady decline over the previous period.

What is not obvious in the statistics is the level of subsidisation of industries by the state during the period. A process followed both conservative and social-democratic governments in the 1970s and 1980s, resulting in increased direct participation of the state in most economic sectors.

"Industry" is falling continuously from 1986 until 1997, from the level of 40 per cent to 27.37 per cent; it then rises for 3 years to stabilize to the level of 31 per cent. Throughout the period the industrial sector contributes the most in GVA.

[4] Labrinidis and Passas 2011 construct 6 sectors, namely Agriculture, Industry, Trade, Finance, Tourism (comprising all non productive services) and State.

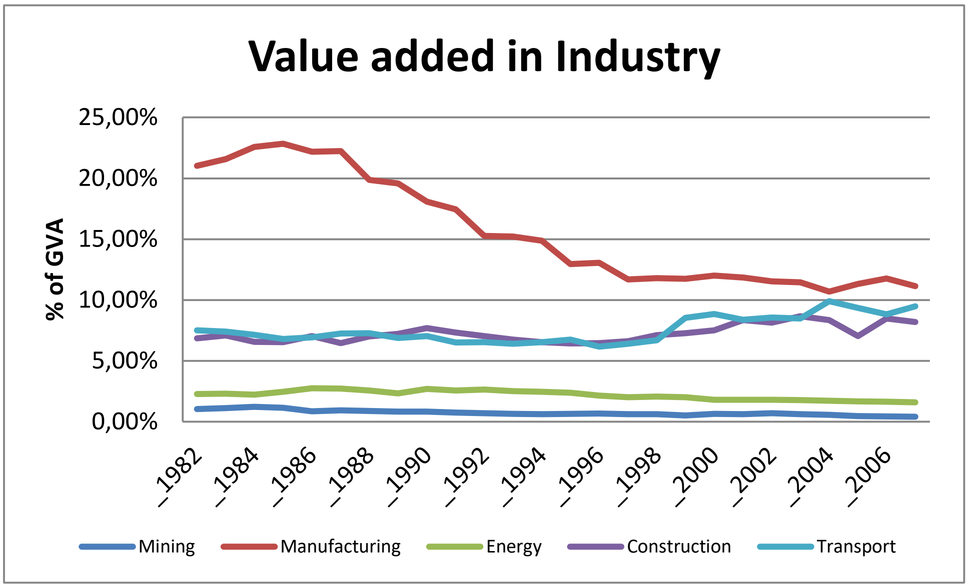

Figure 20 Value added by component of sector 2 (industry), per cent of GVA, 1982-2007. Source: EUKLEMS 2011, own calculations

Decomposing "Industry" into main sectors reveals that the main responsibility for this fall is attributed to a clear fall in manufacturing, from 1986 until 1997[5]. Thereafter, manufacturing stabilizes to the level of 11.5 per cent. Electricity, gas and water supply, as well as mining and quarrying, are in very law levels, falling though systematically. The fall in mining and quarrying of energy producing materials has contributed to the energy dependence of the country.

Contrary to the falling trend of manufacturing construction has generally risen; the sharp fall in 2005 reflects the end of the Olympic Games and the infrastructures that were financed in the name of it, but were mostly related to the transport industry and the state (Vlachou 2011). Transport, storage and communication have risen significantly, especially in the EMU period, approaching the level of 10 per cent of GVA. The single market had obviously a positive effect in these branches since Greece took advantage of its geographical position, becoming a transportation and logistics hub for the north European countries. Zolotas (1978) had predicted that Greece would become a transit centre, even before entering the EEC[6].

To conclude our discussion concerning the industrial sector, we decompose manufacturing into second digit sectors. There it is evident that the fall in manufacturing is caused by a sharp fall in the textiles, leather and footwear industry, which used to be the most dynamic industry of Greek

[5] It is important to note that all components grow in absolute terms. Total manufacturing rises from 7.9bn € in 1992 to 14.1bn € in 2001, to 20.4bn € in 2007. This observation holds for all components of the Industrial sector. Therefore there is concentration in the sector, but the pace does not follow the economy's rate of growth, resulting in the falling trend of the sector's share.

[6] "Lying directly on the route from Western Europe to the Eastern Mediterranean, Greece can become a bridge between the two regions" (Zolotas 1978)

manufacturing, and is the third today. The fall has started as early as 1986 and is continuous ever. In 1986, the EEC delivered a directive that commanded the shrinkage of the productive capacity by 30 per cent; the immediate result was the shutting down of the nationalized, since 1983, "Peiraiki-Patraiki", one of the largest firms of the textile industry (Vamvakidou 2011). The integration in the single market has decelerated the process of concentration, at least in the country. Nevertheless, it seems that there has been extensive centralization[7] in this industry, especially in the years of EMU, leading to a decline of small producers, loss of thousands of employment positions and, yet, sustained production and growing profits for the big corporations that have emerged (Vamvakidou 2011).

Also the industry of food, beverages and tobacco is the most dynamic one since 1993, accounting by itself for 2.5 per cent of GVA; food and beverages account for all the dynamism of the branch, while tobacco is very law and slightly falling due to the elimination of tobacco cultivation, as a consequence of the Common Agriculture Policy (CAP). The second more dynamic is the industry of chemical, rubber, plastic and fuel, which accounts for 2 per cent of GVA. Out of the latter, only the industry of "Coke, refined petroleum and nuclear fuel" is rising consistently after 1998, from 0.45 per cent to 1.34 per cent of GVA in 2007. The other industries of this branch are falling with "chemicals and chemical products" leading the way down[8].

Thus, it is obvious that industry although being the most important sector, both in terms of aggregate employment and of GVA, was in a state of stagnation after the 1970s and 1980s. The causes of this stagnation are numerous. Mainstream literature identifies low productivity and increasing wages as the main causes (Alogoskoufis 1995).

An alternative hypothesis focuses on structural deficiencies in manufacturing as the main cause for stagnation (Samaras 1978). Structural deficiencies are evident by disaggregating manufacturing, into light and heavy industry. Data on employment suggests that the economy was oriented solely to light industry and was chronically failing to develop a heavy industry basis. In particular, metallurgical production accounted for less than 10 per cent of total employment in manufacturing, while machinery, electrical and transport equipment production accounted for less than 5 per cent each. Thus, industry lacked a level of integration that is necessary for being, at least

[7] "[…] It is concentration of capitals already formed, destruction of their individual independence, expropriation of capitalist by capitalist, transformation of many small into few large capitals. This process differs from the former in this, that it only pre-supposes a change in the distribution of capital already to hand, and functioning; its field of action is therefore not limited by the absolute growth of social wealth, by the absolute limits of accumulation. Capital grows in one place to a huge mass in a single hand, because it has in another place been lost by many. This is centralisation proper, as distinct from accumulation and concentration." (Marx 1976)

[8] Pharmaceuticals, although under this branch, are having a flat performance.

partly, self sustainable in order to limit the severity of exogenous shocks, such as imported inflation because of rising prices in capital goods and fuel.

"Agriculture" is systematically falling throughout the period, but much faster in the EU and EMU period. This process reflects unquestionably the results of CAP which forced the elimination of Greek, agriculture for the interests of monopolies of food in countries such as France, Germany and the Netherlands. Total employment in that sector as a fraction of total employment has fallen even more, from 28 per cent in the early 1980s, to 21 per cent in the early 1990s, to 17 per cent in the beginning of the 2000s and in 2007 it was 11.72 per cent. Agriculture has been the big looser from the accession to the single market.

"Trade" is indifferent, falling a bit in the EU and rising as much in the EMU period. It follows the pace of total GDP growth, accounting for 13 per cent of GVA. The biggest component of trade is "Retail trade, except of motor vehicles and motorcycles; repair of household goods", accounting for more than 53 per cent on average of the sector's VA. Wholesale trade follows with almost 27 per cent and "Sale, maintenance and repair of motor vehicles and motorcycles; retail sale of fuel" account for the last 20 per cent of the sector's VA. All components are moving relatively smoothly, with the first two being strongly related.

Employment in that sector as a fraction of total employment rises throughout the period, but the pace is much slower after 1992. Nevertheless, there's heavy concentration and centralization in the sector and in particular in the EU years[9]. Self-employment, particularly high in the sector and especially in retail trade, falls consistently throughout the period.

Thus, trade has not benefitted as a sector from the EU, although the common currency seemed to have positive effects on it. The main effect of EU on this sector was the process of proletarianisation of the self-employed.

"Services" are rising in the EU and EMU period, but not significantly. VA peaks in 2005 at 12.5 per cent of GVA from an average of 9 per cent in the 1980s. The major component of this sector is hotels and restaurants (at the level of 70 per cent) and is responsible for the rise and the trend of the whole sector after 1996.

The state's contribution to GVA is rising throughout the period, but the pace is much slower in the EU period, rising again in the EMU period. Education is almost flat in the years following the Maastricht Treaty, while health and social work is only rising after 2004. The component of public

[9] Trends indicating the monopolization of the retail sector are evident from plain numbers: between 1991 and 1995 traditional groceries and small shops were reduced from 19.337 to 8.768; on the other hand, middle to large units in trade rose from 5.117, in 1991 to 6.954, in 1995.

administration and defence, including compulsory social security is the one responsible for the rise of the state in the years after 1992, until 2004.

This sector concentrates 30 per cent of total wage labour. Wage labour has risen a lot in the years preceding the Maastricht Treaty, from the level of 22 per cent in 1982, but stayed flat thereafter, with a small rise in the last 4 years of the period, that is 2004 to 2007.

We finally turn to “Finance” which had risen significantly in the pre-EU era, but stayed almost flat thereafter. It seems that it has risen in the EU and fallen in the EMU period, accounting for 21 per cent of GVA. Though, it has to be noted that banks, which constitute the bulk of this sector, were heavily under state ownership before the accession to the single market. Their privatization took place in the late 1990s (see BOX 1, below). Therefore, the flat and even falling performance of the sector is misleading, since extensive centralization, through mergers and acquisition took place[10].

[10] In 2008, there were 21 banks with total assets of 467.65bn € (ICAP 2010).

BOX 1. Privatization of banks

Special mention has to be made on the privatization of banks. The importance of the distinction between state controlled or owned banks and the rest of public companies is evident from the form of their privatization. For banks, strategic agreement for selling the 50,01 per cent of the shares was the main form; while for almost all other branches, public companies were transformed into joint stock companies, they entered the stock market and it took years for the state to give the management away, along with its shares.

Although bank deregulation starts from mid-1980s there were only limited privatizations of banks until 1996. Eurobank buys out Interbank and part of the biggest bank, the National Bank of Greece, is privatized so that in this year, 1996, the shares of this bank were held by the state to the level of 40 per cent. The first big wave came at the last years of the century. This is peculiar enough, given the importance of the banking sector in the process of privatization of all other sectors. The special role of private banks in the privatization process can be summarized as follows.

a) Privatizations are processes through which private property is created out of thin air (public property), thus always providing an incentive for mispricing. Mispricing is also essential for individuals to take over the venture since, in most cases, privatized companies are huge and of high capital intensity. Private banks are institutions that can provide that feature naturally, while it is institutionally much more complex for public banks.

b) Along with pricing, financing of the privatization process is also an important aspect of the banking sector. Again public banks have a more complicate decision making structure on financing private institutions for such projects since there is, by and large, political control over the financing decision and the criteria applied.

Therefore, it should have been expected that, at least some part of the banking sector should be privatized first for an accelerated rate of privatizations to be made possible. This was not the case in Greece. To speculate on this peculiar finding, it is as if the state didn't trust private banks to promote privatizations in all other sectors and therefore tried to liberalize some sectors first, even partly, before moving towards liberalizing the banking sector.

In 1999, Ioniki Bank was bought out by Alpha Bank. The latter is one of the biggest banks in Greece, established in 1879. Kostopoulos, the owner, is the most prominent example of a banker in Greece. Unlike all others, the banking activity is in the core of his general capitalist activity. Nevertheless, Alpha Bank was a small bank until the 1990s. The merge with Ioniki, a prominent ex public bank, was significant for Alpha to become one of the largest banks today.

In 1999, Ergasias Bank was bought out by Eurobank EFG; one year before, the same bank had outbid all others for the Bank of Crete and had already incorporated the Bank of Athens. It has to be noted that Eurobank was established in 1990 as EuroInvestment Bank and it was a small investment bank. It entered the stock market as late as 1999. Eurobank is controlled by the Latsis family which is a traditionally ship owners' family and after 2000 it has extended its banking activities with mergers and acquisitions of banks in the Balkans. In 2003, the family actually acquired Hellenic Petroleum, a big oil refining company that was public, in one form or another, since 1976. Latsis family is considered to be the richest in Greece, according to Forbes, and the 144th on a global scale, with a fortune estimated at $5.3bn.

In 1998, the Bank of Central Greece is privatized. It ends up to Marfin Investment Group (MIG), controlled by the Dubai holding belonging to the Emir of Dubai, along with Egnatia Bank and Laiki Bank.

In 2000, the privatization of Emporiki Bank started. Credit Agricole (CA) entered with a small share (6.7 per cent). Six years later, in August 2006 CA acquired 71.97 per cent of Emporiki Bank, completing thus the privatization of this bank.

b. The structure of net exports by partner

The trade balance of Greece with the rest of the world has been deteriorating since the entry in the EEC. From 1980[11] until 1988 it is pretty much stable, at low levels, although negative. From 1989 onwards until 2001, although the downturn accelerates, it is still smooth compared to what happened after the introduction of the euro in 2002. In 8 years, the trade deficit has more than tripled. The picture is even clearer if trade deficit is measured against GDP. Figure 13 shows evidently that trade deficit followed a stable trend during the 1980s; at the second part of the 1980s it accelerated until the introduction of the euro and then nosedived, almost reaching 30 per cent of GDP.

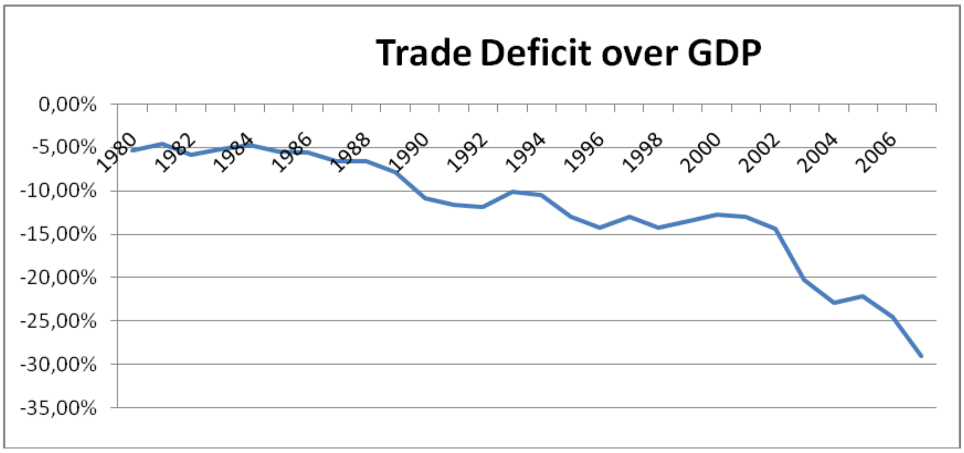

Figure 21 Trade deficit measured against GDP, 1980-2007. Source: IMF, DOTS 2010; OECD, Annual National Accounts 2010; own calculations

If we distinguish between trade with the European Union and with all the other countries, the results are quite interesting. Trade deficit with the EU (27 countries) is growing in the years following the Maastricht Treaty and nosedives after the introduction of the euro (figure 14). The partial recovery before the introduction of the euro should be related with the negotiations concerning the exchange rate and the expectations from the Eurozone.

Trade deficit with the non EU-27 countries takes off a couple of years earlier. As it will be shown below, this is partly due to oil dependency. The general trend though is for the deficit to rise persistently for the whole period and substantially after the introduction of the euro. As it is suggested by figure 14, in the last fifteen years ending before the crisis, Greece has seen its trade deficit with the non-EU countries rising accordingly faster than its deficit with the EU countries. In the first instance, this seems peculiar.

[11] Although we are mostly using Eurostat as a source, we hereby used IMF DOTS (2010), since Eurostat doesn't provide data before 1995.

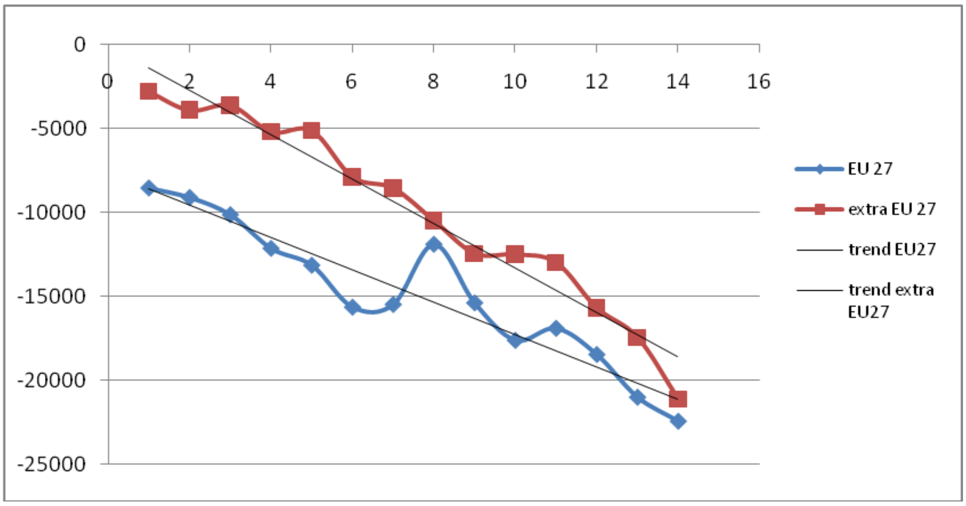

Figure 22 Trade balance deficit with EU 27 and extra EU 27 countries, in millions of ECU/Euros, 1995-2008. Source: Eurostat 2010, own calculations

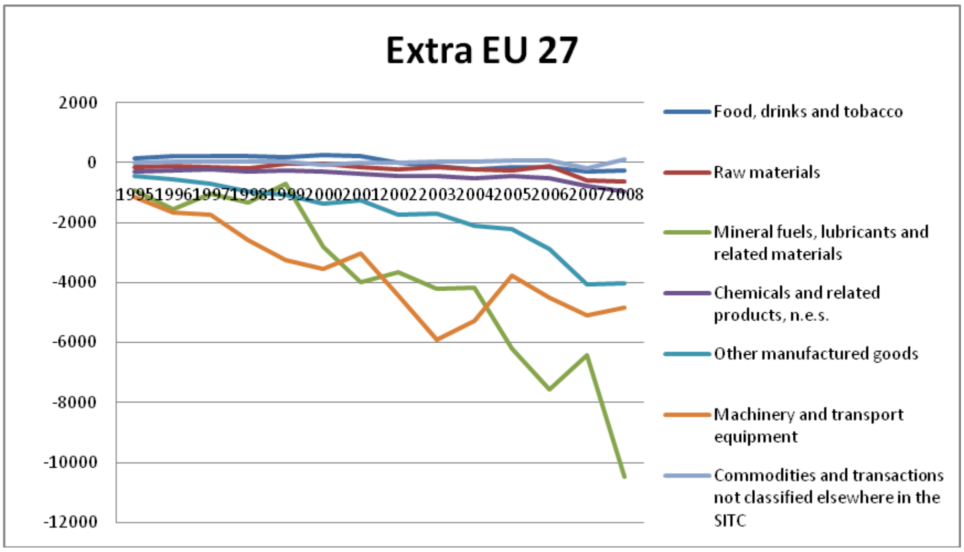

Figure 23 Trade balance, extra EU 27 countries, in millions of ECU/Euros. Source: Eurostat 2010

Examining the trade deficit with the EU and the countries out of the EU by product group is revealing of the source of this trend. After 1999, trade with extra EU countries on mineral fuels, lubricants and related materials start deteriorating substantially and this reflects the oil dependency of the country, as well as rising oil prices (Vlachou 2011).

Nevertheless, two other product groups are related with the rising trading deficit with extra EU countries, namely “machinery and transport equipment” and “other manufactured goods”. The next figure shows that exports to the rest of the world of machinery and transport equipment, as well as those of other manufactured goods have been rather stable, while imports have tripled. This reflects the fact that Greek manufacturing has delivered poor results during this period, as shown in the previous part, and the economy relied mostly on imports.

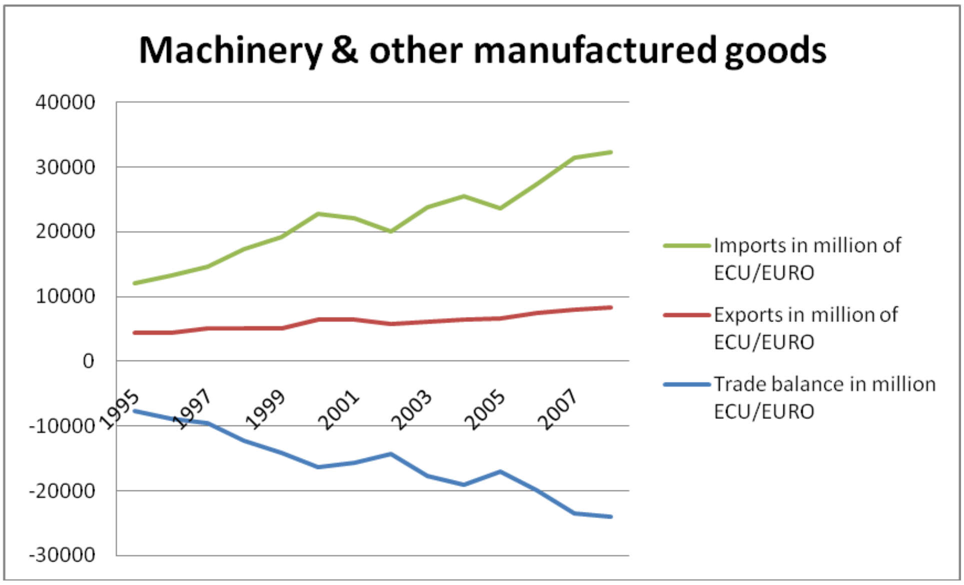

Figure 24 Imports and exports of machinery, transport equipment and other manufactured goods, in millions of ECU/Euros, 1995-2007. Source: Eurostat 2010, own calculations

Turning to the product groups in which deficit with the EU countries rose significantly, one may find food, drinks and tobacco among them. This is the result of CAP and reveals a growing dependence of the country on food, drinks and tobacco. This process is parallel to the sharp fall of Greek agriculture that has been demonstrated in the previous part.

Apart from this product group, chemicals and related products, machinery, transport equipment and other manufactured goods are increasingly imported. It is noted that chemicals and chemical products re in a falling trend as a domestic industry.

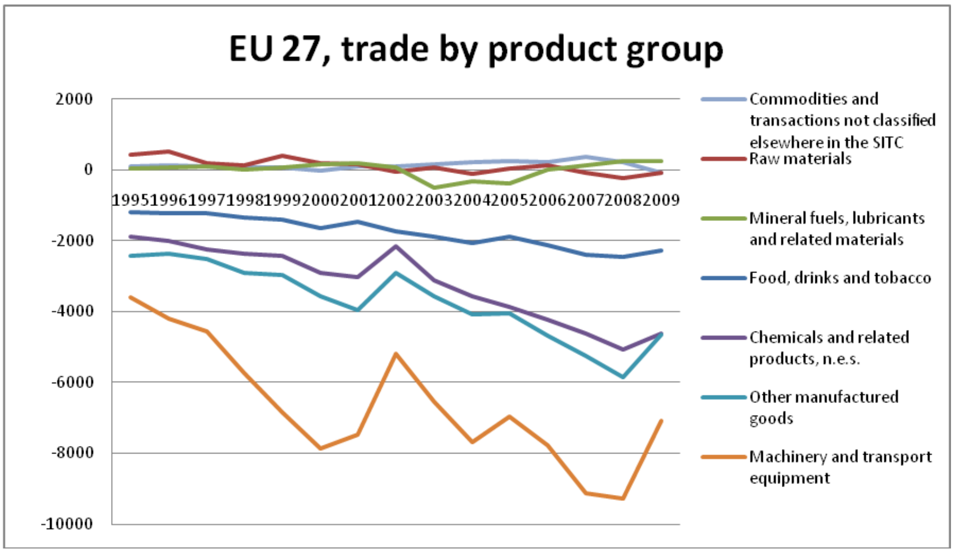

Figure 25 Trade by product group with EU 27, in millions of ECU/Euros, 1995-2009. Source: Eurostat 2010

Summarizing thus far, we can argue that trade balance reflects the structural weaknesses of the Greek economy. Oil dependency from extra EU countries, closely related to the stagnant, although prosperous, mining industry of energy related products, in combination with the rises in the oil prices, is partly responsible for the rise in trade deficit. Another, small though, part of the trade deficit is due to CAP, which leads to food dependency, in benefit of big food producing monopolies in the European north.

Yet, a good part of the trade deficit is because of the reliance of the Greek economy to imports for the necessary means of production (machinery and transport equipment) and other manufactured goods. This reliance stands against the rest of the world, although it is much higher, almost double, against EU countries. The high level of imports of means of production and other manufactured goods, seen together with the low, almost flat, level of exports, reflects the fact that there was no effective investment in manufacturing.

The trade sector, although closely related to trade flows, seems to follow very reluctantly the explosion of the trade balance. Wholesale trade and commission trade, except of motor vehicles and motorcycles is falling since 1997 and starts recovering only after 2004. Of course, trade can be undertaken with off-shore companies and, to the degree that ship-owners are engaged into it, this will be a strong case. It might though be that foreign companies took over the trade boost and in particular companies from the exporting countries. It seems thus that the country didn't "capitalize", so to speak, any advantage of its structural weakness in the EU. About the same holds for finance which is also related to trade. The latter will be examined now in further detail.

c. The particular inflows of capital

The analysis above has shown that the integration of the Greek economy in the single market has led to a particular division of labour and the latter, in turn, has restructured the former. In particular, the fall in the agriculture, at least partly orchestrated by CAP, has led to increasing imports in food, drinks and tobacco. The fall in mining and quarrying of energy related products has increased the oil dependency of the country and that process, combined with rising oil prices, has led to an increasing cost of energy. Moreover, the fall in manufacturing has led to imports both in means of production (machinery and transport equipment) and in means of subsistence that fall under the group of other manufactured goods. These substitutions provide an economic need for borrowing.

On the other hand, the state failed to finance its rising contribution to GVA by raising the collection of taxes. The privatization of a series of profitable enterprises and the downgrade of others shrank the state's ability to raise necessary funds. Therefore, the state appears as another source of demand for borrowing.

The import of foreign capital could have counterbalanced this need and financed the primary deficit of the country. Yet, direct investment (DI) in Greece was stable in very low levels, as it is shown in figure 18. It has to be reminded that DI is considered to be the acquisition of equity that gives control to more than 10 per cent of shareholder power. In this sense, portfolio acquisition (PI) in the form of equity should be considered as DI to some extent; therefore PI should be examined more closely.

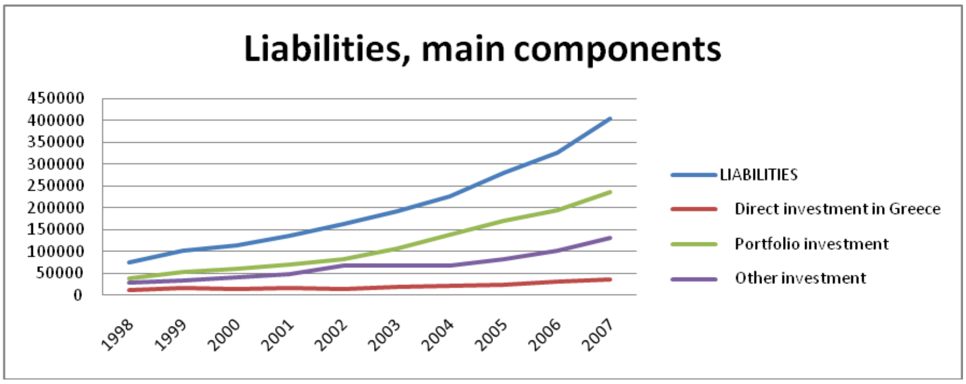

Figure 26 Liabilities, components, in millions of Euros. Source: IMF, BOPS, IIP 2010, own calculations

PI comprises of equity securities and debt securities. Equity securities refer to the private sector and are registered in the International Investment Position (IIP) to be issued either by banks or by other sectors. Debt securities comprise mostly Government bonds. The latter account for almost 95 per cent of debt securities, on average. In other words, PI comprises roughly of 75 per cent of government bonds (GG) and 20 per cent of equity securities issued by the private sector. It can be argued thus that, even if all equity securities were considered as investment, which is not the case, it would be a weak flow.

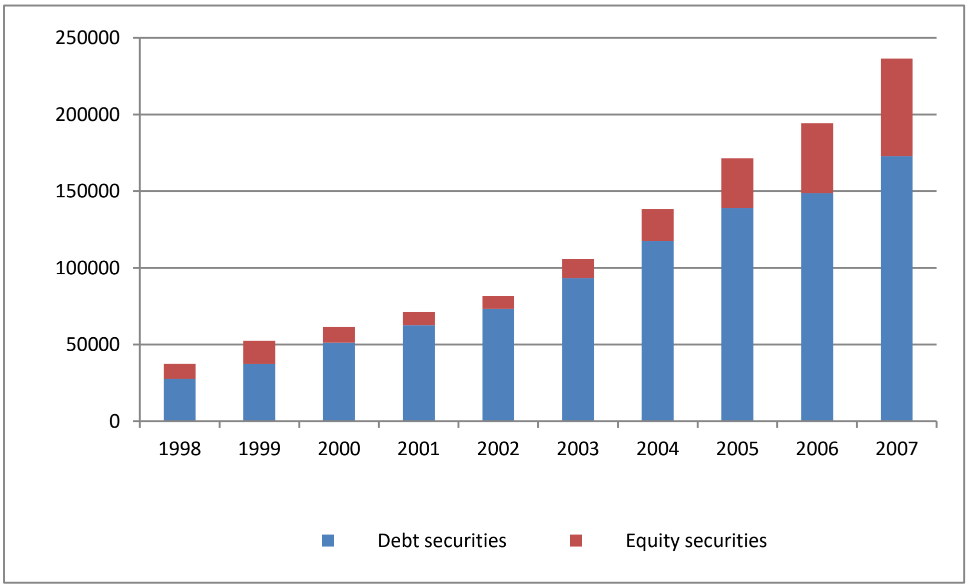

Figure 27 Portfolio Investment, components, in millions of Euros. Source: IMF, BOPS, IIP 2010, own calculations

Vlachou and Labrinidis (2011) provide evidence as for the share of net investment in IIP falling significantly and this fall refers both to DI and equity securities. As it can be seen from their figure, reproduced here, net equity securities rise from 2003 until 2007 and then they collapse with the burst of the international crisis, revealing thus the easiness to break free that this instrument provides to capital. In general, with the introduction of the euro, the investment component of IIP weakened, worsening thus the financing of the primary deficit of the country (Vlachou and Labrinidis 2011).

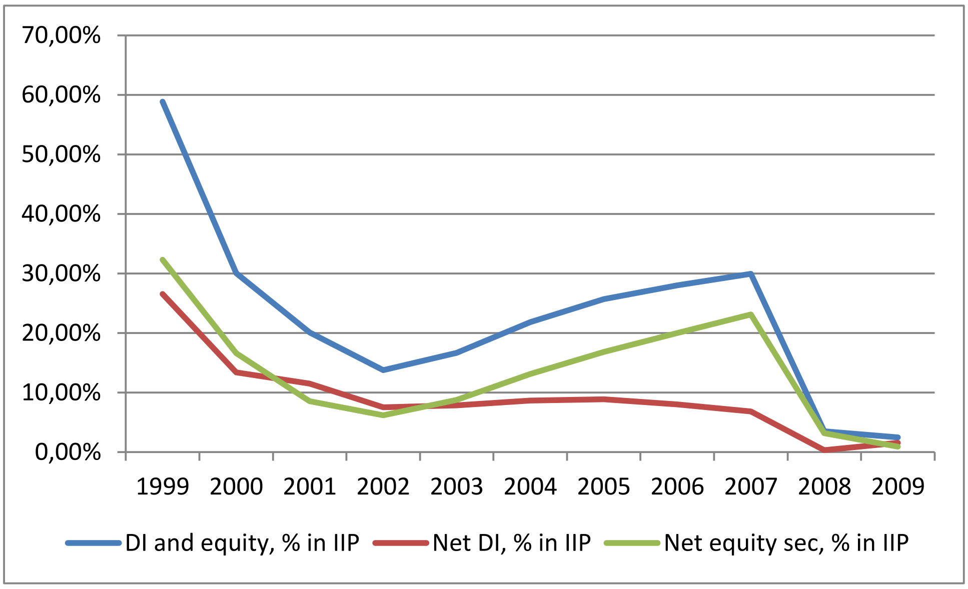

Figure 28 Share of investment components of IIP, Source: Vlachou and Labrinidis 2011

Since there's need for financing on the one hand, profitable opportunities on the other, and this financing doesn't occur in the form of direct or portfolio investment, it is no wonder that debt rose systematically; and it is mostly private debt that we are referring to (RMF 2010b).

It has to be stressed here that other processes are responsible as well for borrowing and relate to the financialisation process, to state and household consumption. What is relative to the discussion here is that core EU countries lent money so as Greece keeps importing and consuming their manufactured products (RMF 2010a).

BOX 2. FDI

Even though DI is relatively low, it would be interesting to examine the flows and see in which sectors they were headed. Unfortunately, a very small part of these flows is released through the annual reports of the Bank of Greece. It is doubtful whether all the non-released flows are the sum of very small, separately negligible flows since the political significance of such a record is evident. Nevertheless, there is reference here to the most significant of those inflows by sector of direction. The recorded flows of DI verify the sectoral analysis provided here.

In 2008 Deutsche Telecom invested 2.9 bn in OTE, the former national telecommunication company and still the largest company, for full redemption. In 2003, Vodafone bought out Panafon AEET for 737 m. In 2007, Rhone Capital Plc & Zarkona Trading Ltd bought out Infote for 300 m while one year before, Apax and Texas Pacific had bought out Q-telecommunications AE for 298 m. Other flows in the branch of telecommunications took place so that the latter seems to be the most attractive for DI; Emirates Int. Telecom LLC bought out Forthnet for 103m in 2008, Vimpel-Communications invested in Armentel, in 2006 and Soft Holding rised its participation in Telestet Hellas, in 2001. Other, smaller flows are not recorded.

In the branch of energy, Paneuropean Oil, Motor Oil Holding SA, Aramco (oil) and Attiki Denmark (gas) were the firms that are recorded to have invested, although Motor Oil Holding SA and Aramco are recorded to have retreated, both in 2005.

Other inflows that were directed to the industrial sector are the full redemption of Papastratos from Philip Morris (cigarettes) in 2003 for 439m; the partial redemption of AGET Iraklis AE from Lafarge SA (cement) in 2007 for 322 m. and the capital rise of Unilever SA (2006, 203m).

The second most attractive sector is, as expected, finance and, in particular, banking. Credit Agricole bought out Emporiki Bank gradually, as it has been said above. Marfin Financial Group was partially sold out to Dubai Financial from Emirates, in 2006, for 392 m; the amount though is quite small for such an

Putting the pieces together

In this paper we are treating the evolution of the Greek economy during the years of integration in the EU and the EMU. We considered 6 sectors which are more consistent with a Marxist approach, rearranging the data provided by numerous sources. The main confusion arises when productive services are examined, the latter constituting branches of the industrial sector, identified with services by mainstream theory. This leads to a vuglarisation of arguments relatively to the country's productive base.

Recapping the results from the above analysis, we can say that, with the accession to the single market, the fall of the contribution of the agricultural sector to GVA is accelerating, indicating a fast-shrinking sector. Therefore, small and medium farmers are transformed to workers of the city or workers of the countryside, contributing to the rise of the unemployment. This process reflects the efficiency of CAP in serving the interest of food monopolies of the European north, in the frames of the single market. The rise of imports of food, drinks and tobacco from the EU-27 is the natural outcome of this policy. Though, besides serving the interests of monopolies, CAP raised the food dependency of the country, creating this way a very tight framework for the overcoming of the crisis[12]. The resulted trade deficit calls for financing.

Nevertheless, the rise of food dependency is not coming only from the CAP, but also from the centralization of retail trade of food and drinks[13]. Large foreign corporations have taken over most domestic chains of supermarkets and other sale stores in the post 1992 years[14]. These foreign monopolies are closely related to foreign food producing monopolies, undermining thus the domestic agricultural sector.

Turning to the industrial sector, the EMU is identified with a positive period for the sector, since the falling trend of the sector, which has started in the second half of the 1980s, was reversed and the contribution of the sector to GVA was stabilized to slightly more than 30 per cent. In particular, the contribution of mining and quarrying to GVA was very low and falling throughout the period and this fall, intensified the oil dependency of the country. Combined with the high and rising

[12] It is unquestionably an interesting feature of this crisis the fact that prices are not falling, not staying flat, but rising systematically. This peculiar inflation while the crisis unfolds should be attributed partly to the special function of quasi-world money and the further quasiness of the euro as such; nevertheless another good part, especially concerning imported commodities, should be attributed to the monopoly production, circulation and control of those commodities. This comment is particularly relevant to the oil prices.

[13] In the sector of food and drinks, a few companies have monopolized the market, in the course of the last 15-20 years. In particular, 49 firms that consist the 3.2 per cent of all firms in the sector are responsible for circulating 47-50 per cent of all food and drinks in the market, while concentrating 76-82 per cent of profits of the whole sector (2009).

[14] Carrefour is an example; it set out in Greece in 1991 and took over Marinopoulos supermarkets in 2000 and Dia Hellas in 2010.

oil prices, the oil dependency led out of necessity to the expansion of the trade deficit in energy related products. The energy, gas and water supply was also very law and falling as a percentage of GVA, throughout the period. The most dynamic industry of the country, that of textiles, leather and footwear industry is falling systematically. The integration in the European single market has affected negatively the sector through many parallel processes.

As a result of the above, trade deficit in manufactured commodities, both means of production (machinery and transport equipment and part of other manufactured goods) and means of subsistence (part of other manufactured goods and food) has risen significantly. This rise was against EU and extra-EU countries, but the former were obviously more benefitted. A further analysis of EU countries would reveal the countries of the core of EU as the most benefitted (Vlachou 2011). Additionally, the fall of the local industry of chemicals and related products have raised imports from the EU countries and the trade deficit with the latter.

The branches of the industrial sector that were benefitted the most were construction, transport, storage and communication. They were related to the integration of Greece in the single market, and the specialization of Greece since the country became a bridge between EU and the East, a commercial road for the flow of commodities. This was also enforced by the advent of cheap, skilled labour from the overthrown social democracies around Greece and, in particular, Albania, in the early 1990s; a second push was given by the takeover of the Olympic Games in the early 2000s, since many infrastructure that were related with the Olympic Games were actually necessary for Greece playing its role as the front door of EU to the East. These sectors were, as expected, the ones that attracted most DI.

Although trade has risen as a result of the integration of Greece in the EU, the corresponding sector doesn’t react much. It is actually falling in the years of the EU and reverts in the consequent years of the EMU. The rise of employment in the sector, as a percentage of total employment is decelerated and frizzes after 2005, while self employment nosedives, especially in retail trade. These data are strongly suggestive of the processes of centralization on the one hand, and entry of foreign capital, on the other that occurred in the sector after the accession in the single market. Therefore, Greek workers and self-employed didn’t benefit from the rise of the significance of the position of Greece for EU and the subsequent rise in trade; neither did the sector as a whole. Rather, the benefits of this specialization of the country went to the pockets of big monopolies.

Finance followed a similar path. In the years after 1992 the contribution of the sector rose. The heart of the sector though was then at the hands of the state. The single market brought extensive privatization of banks, freezing of employment, inflow of foreign capital, stagnation in the sector as far as its contribution to GVA is concerned; it also brought prosperity as far as financial profits are concerned, due to the process of financialisation (RMF 2010).

Services were also a big winner of the integration to the EU and of the EMU. The common currency and the control over inflation, the easiness to travel due to the repeal of institutional barriers and due to better infrastructure brought Greece closer to northern European tourists and tour-operators.

Finally, the state sees its contribution to GVA rising, accounting for almost one third of total wage labour. Yet, in the years of EU, and especially of EMU, these trends have decelerated. Note that the state has also undertaken big infrastructure projects. In the years of EMU the component that rises the most is the one related to public administration and defence, while health and education are almost freezing.

In a sense, Greece integrated to the European market by specializing: (a) as an outsourced management, banking, transportation and logistics hub of north European manufacturing capital in South Eastern Europe and (b) as a tourism heaven for north European (mainly British and German) workers.

The restructuring process described above was essential for the debt burden of Greece. As it was shown, the structural need for financing didn't occur through direct or portfolio investment. PI after all, with the burst of the crisis, has proven its instrumental provision of easiness to break free to the capital invested.

The restructuring though is essential for the prospects of the Greek economy out of the crisis. It is evident that Greece cannot control for recovery, since this will be the result of the recovery of her main trading and financial partners and since the international division of labour and the one developed in the EU is not contested (eg a revision of CAP to the benefit of Greece is not even in the agenda of the Greek government). Therefore, it is economically inconvincible to argue that the austerity measures by themselves will bring growth back; the latter should be seen rather as a political argument for achieving the consent of workers, farmers, self-employed and the corresponding small and medium business that are called upon to carry the burden of the austerity plan.

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