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On the Edge of the South European Model: Familism, Business and State in Greece

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Abstract

This article's main argument is that what is really in question behind the present Greek economic crisis is the social model prevailing from the creation of the Greek nation-state up to the present day. The pre-modern institutional logic of the Greek social model can be depicted in terms of the notion of familism which points to the centrality of the nuclear-extended family and its friendship networks as the dominant locus of trust and moral duty. It is argued that the notion of familism sheds light on business and state relations in Greece: first on the dominant business models (mainly state-dependent and rent-seeking 'entrepreneurship'), and on the private sector's calamitous failure to produce the club goods required to enhance its competitiveness. Unsurprisingly, the neoliberal reforms imposed by 'Troika' affected only some symptoms of the familism endemic in Greece. The big question is whether the realisation of a new social contract, combining the positive values of familism with civic culture, is possible in the medium-to-long run.

Key words: familism, political economy, rent seeking, Greece, economic divergence in EU

JEL Codes: B52, P16, P52, O10, O57

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There is a vast amount of literature that considers the importance of the family as an institution. Little attention, however, has been given to the impact of the family structure and its dynamics on institutions (Greif 2006: 308)

1. Introduction

The broader question this article addresses is why did Greece fail, and how can it get back on its feet? Without underestimating the crucial importance of external causes – e.g. the economic stalemate of the Southern European periphery's after the EU's eastward expansion, the flaws inherent in the euro's institutional architecture, Germany's obsession with competitiveness and the crisis of finance-led capitalism - the focus here will be on the *internal* causes of the Greek failure¹. Regarding the latter, one can roughly distinguish between two kinds of interpretation, the mainstream and the heterodox.

The mainstream explanations consist of a hard version of the so-called 'Washington consensus'. They are essentially policy-driven interpretations legitimising the need for fiscal consolidation and structural reforms, namely the deregulation of labour and product markets as well as privatisation. Usually, the implementation of so-called 'structural' reforms is presented as the supply-side antidote to the necessary austerity measures and the negative demand shock they imply. In a nutshell, the promise is short-term pain for long-run gain in terms of competitiveness and growth. Besides, given the impossibility of external devaluation, the extra pain provoked by the internal devaluation strategy seems unavoidable. This is the canonical story. But there are also bolder versions. For example, adopting a sanguine optimistic stance, the proponents of the 'twin deficits hypothesis' contend that fiscal austerity will have an immediate positive impact on the current account deficit and therefore on the competitiveness gap. Finally, at the end of the spectrum we can find utopian neoliberals who do not see any conflict between austerity and growth and preach the idea of 'expansionary austerity'.

Let's put aside the tale about fiscal multipliers², the oxymoron of expansionary austerity and the twin deficits hypothesis, which is negated by the Greek data (Nikiforos et al. 2015), and focus instead on the question of growth through structural reforms. The failure of the latter is now visible to everyone. The most interesting explanation coming from mainstream economists

¹ Regarding the external causes, see *inter alia* Lavoie (2015), Matthijs (2016), Nölke (2016), Bohle (2018), and Perez (2018). Yet, as Dooley (2014, 2017) remarked, most of the European and international explanations tend to underestimate the importance of domestic or internal causes proper to each Southern European country. On the common problems faced by the Southern European capitalisms see mainly Simonazzi, Ginzburg, & Nocella (2013), Gambarotto and Solari (2015), and Gambarotto, Rangone, and Solari (2018).

² The European Commission (2012: 41-46) and the ECB (2012: 82-85) contested the fiscal multipliers estimated by Blanchard and Leigh (2013). Curiously enough, the Bank of Greece (2013: 146) seemed to back the EC and ECB's ultra-optimistic position.

(e.g. Ioannides and Pissarides 2015) refers to the sequence of their application. It is true that the Troika and the Greek governments pursued with great vigour the deregulation of labour markets - and the downsizing by legislation of the minimal wage and the welfare system – while they shown a strange indolence to liberalize oligopolistic product markets. We do not know what would have happened in the hypothetical case in which priority was given to product market deregulation. What we do know, thanks to the work of some Harvard scholars, is that the experience of the last four decades suggests that growth acceleration is triggered by *targeted* and *country-specific* state actions – perhaps a diplomatic way to evoke the anathema of ‘industrial policy’ – rather than horizontal or catch-all structural reforms (Rodrik 2016).

It remains however that the idea of structural reforms can also be backed by a more institutional and case-specific analysis of Greek economy and society. The most notable line of interpretation provided by mainstream economics is based on the notion of ‘rent seeking’ (e.g. Mitsopoulos and Pelagidis 2011), and ‘insider-outsider society’ (Kollintzas et al. 2018). Here again, the common denominator regarding the diagnosis of the crisis is the *lack* of bold neoliberal reforms that could break down the resistance of insiders and eliminate the multiple forms of rent seeking.

As we will see below, this portrayal of Greece is not totally inaccurate. It presents, however, two concerns. The theoretical concern refers to the general idea that ‘Greece *is not* a typical Western (Anglo-Saxon?) society’. Even if we suppose that there is any such society, the question remains: what is Greece? A ‘society’ of professional rent-seekers? And if the answer is yes, how is this ‘society’ cemented together? The practical problem is that the ‘structural reforms’ imposed by Troika addressed many issues posed by rent seeking and veto players. At least regarding labour markets and the welfare state, the high hopes of rent-seeking approaches to reform have been fulfilled. Almost everything has been deregulated and most of the veto players have been eliminated (e.g. Kornelakis and Voskeritsian 2014, Papadopoulos and Roumpakis 2013, Zambarloukou 2015, Koukiadaki and Kokkinou 2016). The same applies to a number of previously closed-shop professions ranging from taxi and truck drivers to pharmacists and lawyers. However, the so-called Greek ‘paradox’ (*sic*) regarding GDP stagnation and slow export growth after the neoliberal cure casts doubt on the diagnosis and the remedies prescribed by the different rent-seeking approaches.

Heterodox – mainly neo-Schumpeterian - approaches (e.g. Kastelli and Zografakis 2017) are more convincing³. Using detailed data on exports they show that Greece’s current account problem is due to *structural* and not *price (or cost)* competitiveness. In other words, during recent decades Greek exports have been locked into low added-value and demand sectors. This structuralist argument also challenges both the internal and the external (back to drachma)

³ Reckoning with the Marxist scholarship (e.g. Mavroudeas 2015) is beyond the scope of the present paper.

devaluation strategies. In this article I subscribe to the idea that '(t)he main explanation why Greece in particular was severely hit by the crisis is the failure to transform and enhance its productive base, over the last 30 years' (Kastelli and Zografakis 2017: 208)⁴. I try, however, to go further and ask why the industrial policy of 1980s and then the EU-inspired and funded technological policies failed to upgrade the productive base of the Greek economy. A preliminary answer could be that the – voluntary or coercive – imitation of EU's 'best practices' was ill-suited to addressing the backwardness or inertia of the Greek private sector (Liargovas 1998; Liagouras 2010). But then, this inertia must also be explained. And at this point, strictly techno-economic factors, and therefore engineering visions of the economy, fall short. They can provide a list of 'what Greece lacks' explanations, but they can hardly explain their own list problems.

This is a more general concern characterising the quasi-totality of neo-Schumpeterian economics. To put it bluntly, their latent technological fetishism prevents them from analysing 'the institutional foundations of comparative advantage': As David Soskice noticed in an unpublished paper:

(M)uch of the NSI (national systems of innovation) literature gives the impression as its name conveys that the key institutions explaining innovation are institutions which have to do with innovation activities. This reflects its development in something of a vacuum from the type of approach which in one form or another has been followed by many political scientists, industrial sociologists, and political economists from the 1970s on. This has been to see the institutional structures of advanced economies in terms of national models' (Soskice 1993, cited in Zysman 1994).

The aim of this article is to argue that what really lies behind the present economic crisis is the social model - familism - on which Greece has been based from the creation of the modern nation-state (circa 1830) up until now. Familism is considered here as the key to understanding the (pre-modern) institutional logic of the Greek social model. Institutional logic refers to the *deep-seated informal* institutions, which 'is taken as given by most institutional economics' and 'positive political theory' (Williamson 2000). The latter operate at the lower level of 'formal rules' and 'governance structures', which are more easily subject to change.

Note also that the alternative concept of 'cultural framework' is avoided here because it usually implies a notion of culture that is static, and/or autonomous from the 'material' conditions of its existence. We find here the opposition between 'culturalist' (e.g. Banfield 1958; Putnam 1993; McCloskey 2016) and 'economic' (e.g. Chang 2011) or, more broadly, 'rationalistic' approaches (e.g. Hall and Soskice 2001; Molina and Rhodes 2007; Baccaro and Pontusson 2016). The reference to Gramsci's legacy at the end of this paper is indicative of my effort to

⁴ In the same vein, see Giannitsis et al. (2009) and Giannitsis and Kastelli (2014).

find a third way between these contrasting approaches. It remains however that the way I understand the notion of 'social model' here is closer to classical economic sociology (Durkheim, Weber, Veblen) and Polanyian economic anthropology than to modern rationalistic or actor-centred 'comparative political economy' thriving in Political Science (and International Relations) Departments.

The first section below sets out to understand the institutional logic underlying actors' outward rent-seeking behaviour, or the relative absence of 'social capital' in Greece (Christoforou 2005; Paraskevopoulos 2007; Theocharis and Van Deth 2015). In practical terms, this demands an understanding of the Greek version of familism in all its facets: economic, social, and political. The two sections that follow demonstrate how familism sheds light on business and state relations in Greece: first from the perspective of the dominant business models, and then from the angle of coordination problems between firms in agriculture and manufacturing. Note that highlighting business does not issue from a Keynesian perspective prioritising the 'animal spirits' and considering labour an adjustment variable. It reflects instead the very fact that in today's Greece labour is nothing more than an adjustment variable.

2. The 'longue durée' view: Family, society and state in modern Greece

Any notion of familism necessarily encounters the concept of 'amoral familism' famously coined by Edward Banfield (1958) in his efforts to understand the ultimate cause of the backwardness of a large village (Chiaromonte) in the Southern Italian region of Basilicata. Amoral familism points to the inability of the inhabitants there to act for their common good, and even their tendency to compete fiercely for the appropriation of common goods. This 'amoral ethos' is explained mainly by the hypothesis that the villagers 'act as if they were following this rule: maximise the material, short-run advantage of the nuclear family; and assume that the others will do the same' (Banfield 1958: 85). Banfield's book is a treasure-trove of incisive remarks. Still, putting aside its culturalist overtones, Banfield's analysis is also weakened by its ethnocentric perspective. Searching for idealised or Tocquevillian notions of American community and civil society in Chiaromonte, he comes to believe that its inhabitants live in a Hobbesian state of nature. Consequently, he undervalues the moral importance of extended family, symbolic kinship (e.g. godparenthood), and informal friendship networks that are constitutive components of Southern Europe's anthropology (Giordano 2006: 466)⁵.

Thus, it would be preferable to speak of 'non-civic familism', or more concisely, 'familism' *tout court*. In the latter, the nuclear and extended family, as well their friendship networks, comprise the dominant locus of trust, solidarity and moral duty. In other terms, familism

⁵ For a critical panorama of the debates raised by Banfield's book till recently, see Ferragina (2009).

implies a *strong morality*, but not a civic ethos. For the rest, Banfield is right. In a *pure* familist society there is no possibility for win-win solutions in relationships with 'outsiders'. Therefore, civic culture is underdeveloped and the modern state is perceived as an occupation force vis-à-vis society. Cheating and seizing the state are considered normal and legitimate ('rob your robbers'), and it is viewed as deeply shameful to be an 'informant' of the state. More generally, the familist model consists in 'appropriating the common good by personalizing social relationships' (Giordano 2006)⁶, that is, primarily through acquaintances, patronage and corruption. Therefore, pure familism is found at the antipodes of the purely *impersonal* institutions of market, (modern) state, or social corporatism presupposing an *individualised* society. Finally, note that the analysis developed here could easily be reformulated using Putnam's (2000) contrast between 'bonding' and 'bridging' social capital. However, such a generalised notion of social capital is useful for measuring morality and sociality as a new form of 'capital', and then for conducting econometric tests; using it in qualitative studies risks losing sight of the specificities proper to the case in question⁷.

The Greek society and polity of the nineteenth century was very close to the pure familist model. The creation of the Greek state (circa 1830) came after a national and not a bourgeois revolution. The Greek bourgeoisie of the nineteenth century was a commercial class and was located outside the Greek nation-state (Odessa, Costanza, Istanbul, Izmir, Alexandria ...). It had no interest in setting up a 'capitalist' state. Inside the new nation-state, there were no feudal ties to be reversed, and progressively the big landed properties retained mainly by the state and to a lesser extent by private owners passed into the hands of the landless peasantry. Consequently, the 'economic base' of society was characterised by petty (mainly agricultural) property and production with no clear-cut class differences.

As there were no 'dangerous classes' to be excluded, the political system transplanted from abroad was still an open one. Yet, Greece was far from being a version of Jeffersonian democracy. Families competed fiercely for low-paid employment in the public sector among other favours. In addition, the old local nobility, which was converted into the political elite, enhanced its ascendancy through the establishment of a dense network of clientelistic relationships. The informal 'right' of every family to cheat and capture the state through

⁶ One could argue that similar principles can be found in many non-Western countries based on tribal or clan ties. However, from a sociological point of view, Southern Europe is substantially different from those societies.

⁷ Of course this was not Putnam's (1993) initial objective. However, *economics imperialism* is much stronger than eminent scholars' intentions. Significantly, 'family ties' witnessed a similar fate (Alesina and Giuliano 2014).

acquaintances, clientelism, and corruption integrated the peasantry into the political system to such an extent that political struggles were disconnected from class interests⁸.

The important question is what remains of the above ‘fine-tuned’ system in the twenty-first century Greece: There is an ill-defined debate initiated in the literature on path dependence, and then taken up by ‘varieties of capitalism’ approaches, about continuity and change in history (e.g. Crouch and Farrell 2004; Streeck and Thelen 2005; Jackson and Degg 2012). Path-dependence’s archetype of lock-in, technological standards, is an exceptional case that should not be confused with continuity in social systems. In fact the latter resemble Lakatosian ‘theoretical kernels’. The question therefore is whether do familism’s core principles still pertain. My contention is that they do, and are important for understanding the structural problems intrinsic to the Greek economy⁹. Obviously, such an assertion cannot pretend to offer *an explanation* as to how these core principles have been reproduced and transformed over the centuries. Instead of evoking a determinist lock-in by initial conditions, it is preferable to leave this difficult task to historical scholarship. Nevertheless, before tackling the main argument let me briefly point to some examples of the dialectics of continuity and change in Greek familism.

Regarding its socio-economic base, Greece is no longer an agricultural country, but to a certain extent the decline of the peasantry was compensated by the exceptional stability of the tertiary sector formed by the petty bourgeoisie. Certainly, the fast-track transition from an agricultural society to a post-industrial one allowed for the advancement of some relatively large firms, especially in the service sector. Yet, the burgeoning of big business is still contingent on the same imperative of cheating and seizing the state that characterised nineteenth century Greece, and which still applies to contemporary small and medium-sized enterprises. Unavoidably, Greek firms are skilled in appropriating the common good rather than producing the collective goods they need to be competitive.

As regards the political realm, during the 1980s Greece evolved from a system of interpersonal or individualised clientelism to a form of mass party or bureaucratic clientelism (e.g. Lyrantzis 1984). Even though there were elements of such a transition in the post-war political system (Lyrantzis 1984), the unprecedented rise in power of the Socialist Party (PASOK) in 1981 was the

⁸ My main references regarding Greece in the nineteenth century are Tsoukalas (1977, 1981), Mouzelis (1979), and Dertilis (2014). For anthropological accounts regarding old-type familism in the Greek countryside during the second half of the twentieth century, see Campbell (1964), and Du Boulay (1974).

⁹ For a little bit bolder position see Demertzis, Souliotis and Markatas (2016: 12): ‘Demertzis (1997) (...) introduced the concept of “inverted syncretism” designated to thematize the articulation rather than separation of tradition and modernity in Greece. In comparative political analysis “syncretism” is an acculturation process where the patterns of one culture are domesticated to the schemes of another without losing their original function. In the modernization process of countries like Japan, Taiwan, and South Korea syncretism occurred because modernizing patterns were assimilated to the traditional ones retaining though their original function. *In Greece, Demertzis argues, an almost inverted process took place: retaining a formal status, modernizing patterns lost their original function while traditional ones remained intact or even became rejuvenated*’ (*italics added*).

catalytic factor for the ascendancy of party clientelism. The dual prevalence of party clientelism and left-wing populism in the 1980s alarmed some right-wing political analysts to such a degree that they saw in it a catastrophic outcome for the quality of the political system and state bureaucracy. Usually they justify their position either by focusing on the story of the Greek political system after the fall of the seven-year dictatorship (1974), or by assuming that the period of post-civil war authoritarianism (1948-1973) was a one in which, at least, political parties did not endanger meritocracy in public administration¹⁰. Still, both justifications are subject to criticism.

The Greek version of *partitocrazia* starts in 1974 simply because between 1948 and 1967 the conservative political parties in government were answerable to the army, the throne, and the different para-state organisations. In their effort to promote the stability of the semi-authoritarian regime all of the above actors further disorganised the public administration and reversed the feeble trend towards its rationalisation advanced during the interwar years by the liberal reformer Eleftherios Venizelos (Tsoukalas 1987: 103-118).

Most importantly, from a *longue durée* perspective, instead of having come 'out of the blue', party clientelism was rather the 'natural' evolution of pre-existing and deep-rooted interpersonal clientelist relationships (e.g. Legg 1969). As 'predicted' by Weingrod's (1968) pioneering study, once mass parties compete in an open political system, party clientelism substitutes the interpersonal model. In other words, PASOK during the 1980s did nothing more than what was accomplished by *Democrazia Cristiana* after the mid-1950s in Italy (Graziano 1973). Therefore, the important point to retain here is that both types of clientelism are characterised by the same familist logic. The only difference lies in the intermediaries – from local notables to mass parties - between the family and/or friendship networks and the state¹¹.

Finally, while in modern Greece we have seen the growth of both labour unions and employers' associations, it seems that the logic of familism also permeates these formal organisations. Contrary to the new corporatism, interests groups have become fragmented (Lavdas 2005) and have functioned as 'imagined' families seeking to impose or defend their particularistic interests against any notion of public or club good (e.g. Matsaganis 2002, 2007; Mossialos and Allin 2005). Nevertheless, the question of the 'metastasis' of familist logic to collective agents

¹⁰ The work of Mavrogordatos (1988, 1997) constitutes the first and perhaps the only complex version of this conservative turn.

¹¹ The above critical remarks do not contest the argument that PASOK's state expansionism and party clientelism in 1980s was detrimental for the Greek economy. Still this was the price to pay for the delayed institutionalisation of a rudimentary welfare state and the inclusion of almost half of the Greek population in the socio-economic and political system (see also Mouzelis and Pagoulatos 2004). To put it bluntly, after decades of exclusion and terrorisation of people on the left and centre-left, thanks to PASOK *all* Greeks acquired the inalienable 'right' to capture the state.

(parties, state bureaucracy, unions, associations, etc.) is beyond the purview of the present article.

3. Business and the State (I): Between Divorce and Dangerous Liaisons

The internal flaws of the Greek state and Greek politics have already been examined in the relevant literature (e.g. Tsoukalas 1981; Pagoulatos 2001; Sotiropoulos 2001, 2004; Featherstone 2005; Wassenhoven 2008; Dertilis 2014; Patrikios and Chatzikonstantinou 2015). In what follows, the focus is on relations between business and the state. These relations are vital to an understanding of the Greek 'productive model' and can be analysed through two polarised cases. At one end, the international shipping sector prefers to maintain the minimum of involvement with the Greek state. On the other, most firms' survival or enrichment depends heavily on their relations with the state. Nonetheless, both extreme cases substantiate the previous analysis of Greece's familist political economy¹².

3.1 Greek shipping: The familist foundations of a world-class comparative advantage

Over the course of the last four decades, the Greek-owned maritime fleet has ranked first in the world in terms of tonnage. Shipping constitutes by far the most competitive sector of the Greek economy. Together with tourism, it accounts for almost half of Greek exports in goods and services. However, contrary to tourism, whose relative success depends on the rent provided by the beauty of the Greek landscape, and ancient ruins, shipping is in principle disadvantaged by the small size of the domestic economy and the subsequent lack of clustering relationships. Its competitive advantage exists mainly in human capital – including entrepreneurship - accrued over centuries of commerce (Theotokas 2007; Thanopoulou, Theotokas and Constantelou 2010). The enlarged reproduction of this precious intangible asset is based in turn on the pairing of the techno-economic characteristics of the bulk shipping industry and the features of the Greek version of non-civic familism: family-based business, the importance of personalised trust and informal networks, and an opportunistic behaviour with regard to state laws and international regulations.

In fact, the techno-economic characteristics of bulk shipping – slow technical change and (very) low economies of scale - up until the present ensured the prosperity of the familist model in this global industry. The most important locus for the accumulation of human capital is the kinship and island ties of ship-owners. Trust is of paramount importance for entrepreneurial success, but it is clearly personalised. A Greek ship-owner trusts above all his kin and fellow-islanders. Ethnic ties can also be important, but mostly for exchanging information about the

¹² For a similar - but on some critical points alternative - analysis, see Doxiadis (2013).

evolution of the sector. It is very important here to distinguish between familist and family (controlled) firms. The latter are still very common in today's capitalism. According to estimations, 'approximately half of U.S.-listed companies, and about 60% of all European businesses' are controlled by families (Donald 2016: 98). Yet, familist firms represent a small subset of family business. Family firms can in principle grow as 'Berle and Means corporations' do, through the exploitation of economies of scale and scope. The substitution of loyalty and personal trust for contracts and impersonal trust is restricted to the top of the firm. Instead, in familist firms the key-role of loyalty and personal trust permeates either the totality of the firm or, in the case of segregated labour markets, the most important part of it. It is the personalisation of social relationships that puts limits on the growth of the familist firm.

It is worth noting how the familist character of Greek shipping has adapted to the challenges of globalisation and financialisation over the last decades. The battle to cut costs through access to international markets for capital, labour and flag, as well the intensified use of information on a worldwide scale have all substantially augmented the complexity and the risk of the required transactions. The contrast between British and Greek ship-owners' reactions is very instructive (Harlaftis and Theotokas 2004). The British opted to outsource the operation of their fleet to ship management companies, whereas most of the big Greek companies invested - horizontally and vertically - to internalise the external economies stemming from the rise in complexity. And the bulk of Greek companies, which are of small or medium size, continue to survive and prosper through the intensification of (mainly informal) networking. Not surprisingly, the Greek-owned fleet presents the lowest degree of concentration in comparison with its main competitors, and its secular dynamism is also owed to the fact that the low entry barriers allow for the flow of new blood into the business.

The response to the need for drawing capital from international financial markets signals a similar pattern. Over the last two decades, most of the big Greek-owned companies have been listed on the London and New York Stock Exchanges. However, 'even these companies remain family controlled' (Theotokas 2007: 75), mainly through small boards where family members hold the majority of votes.

Finally, the achievements of Greek ship-owners in the world arena do not imply that they are less opportunistic with regard to state laws and international conventions than other Greeks. A first characteristic is their aversion to paying taxes (Harlaftis 1996: 278, 280). In the interwar period, when their headquarters were established in the City of London, they obtained a tax exemption. During and after the Second World War, most of them transferred to New York. Afterwards they moved back to Europe because they refused to comply with US laws, in particular tax legislation. Piraeus became their new base, when the dictatorship (1967-1974) provided them with tax-free legislation among other facilities. Their attitude towards the

international order has been notoriously even more opportunistic. Since at least the Napoleonic wars, Greek ship-owners have filled their coffers by breaking blockades all over the world. Needless to say, their reputation among their competitors has never been very good. On the contrary, their relationships with clients have been exemplary. Their specialisation in a very competitive world market where the Baltic Exchange pledge 'My word is my bond' prevails has not offered any alternative.

In conclusion, regarding their relationship with the Greek state, ship-owners are close to the bourgeoisie of the Greek diaspora during the nineteenth century¹³. They merely set up their head offices in Piraeus but in reality operate in the no-man's-land of global product, capital and labour markets. As a matter of fact, they have little interest in the reform of the Greek state. When they do invest in the Greek economy as a diversification strategy, they usually follow the domestic rules of the game explained below.

3.2 Behind the markets: State-dependent entrepreneurship

The case of Greek shipping shows that familism *can* lead to the building of a strong competitive advantage if certain techno-economic conditions prevail. The problem is that it is difficult to find other sectors where similar conditions apply. Certainly, the pervasive influence of information and communication technologies on the international division of labour provides the opportunity for tight-knit micro-groups to exploit small niches in the world economy. There is anecdotal evidence that this tendency accelerated during the Greek crisis, especially among scientists and engineers. Yet this phenomenon is far from being important on the national level. The dominant business model is that of state-dependent entrepreneurship. This introverted model more or less shares with shipping the familist fundamentals regarding the importance of kinship-friendship ties and informal networks (Dodd-Drakopoulou and Patra 2002; Xenakis 2013: 177-8). What essentially differentiates it from shipping, and in this way makes it familist in the negative sense of the term, is the relative absence of any discipline imposed by the world market. In brief, its survival or prosperity depends on relations between firms and the state. It corresponds to Uwe Becker's (2014: 266) 'patrimonial type of capitalism':

The patrimonial type points to patron-client relationships between state and economy. It is related to corruption and involves a specific interaction pattern between political centre, local politicians and business firms exhibiting favouritism in the distribution of legal permits, government grants and special tax breaks.

¹³ For an alternative interpretation focusing on the importance of 'market-embedded clans' for the organisation of the Greek diaspora in the nineteenth century, as well as the Greek shipping, see Pepelasis Minoglou and Ioannides (2004), and Ioannides and Pepelasis Minoglou (2006).

Business dependence on public money can be indirect (cheating the state) or direct (seizing the state). *Indirect* dependence consists in robbing the state through tax evasion, non-payment of social security contributions and an underground economy. This version of state-dependent entrepreneurship concerns above all the self-employed and the SMEs. One could retort that there is nothing new in the above remark. Even in well-organised states like the US it is estimated that the non-agricultural self-employed do not declare 52 per cent of their revenues, and the corresponding percentage for farm business is 72 per cent (Slemrod 2007: 28). This is obviously true. The problem with the Greek case is rather the high level of self-employment (with or without employees) within total employment. In 2015, the self-employment ratio was 35.2 per cent in Greece, 24.7 per cent in Italy, 18.5 per cent in Portugal, 17.4 per cent in Spain and 16.1 per cent in the EU-28 (OECD 2017). In a word, Greece is an outlier even within the Southern European model of capitalism. Over the period 1990-2015, the gap between Greece and the other Southern European countries narrowed between 1996 and 2004, and then it levelled out (Figure 1). The comparison with Turkey, which in 1990 had a much higher self-employment ratio and now is slightly below Greece, is also very significant regarding the special character of Greece.

Figure 1: Evolution of the self-employment ratio (1990-2015)

Source: OECD 2017

When one third of employed people can get away with cheating the state, the act of cheating is no longer reprehensible. All the more so in a familist society, where the state is accused of stealing from its citizens: consequently to 'rob your robbers' is considered legitimate self-defence. From this point of

view, the question as to whether people are 'unwilling or unable to cheat' (Kleven et al. 2011) should be nuanced in so far as it does not take into account the possibility of vicious - or eventually virtuous - cycles between material constraints and moral or legitimacy concerns.

An important part of the tourist industry in Greece belongs to this category. As usual, the formal feasibility of cheating the state correlates with the small size of tourist firms. In the case of tourism as well, Greece is an outlier within Southern European capitalism. In 2007 the number of beds per hospitality unit was 138 in Portugal, 101 in Cyprus, 90 in Spain, 47 in Italy, and 31 in Greece (Hellenic Hotel Federation 2007: 19). Certainly, small and medium-sized units are well adapted to the geography of the country, and especially its numerous small islands. Moreover, the fashion of mass tourism and large hotel infrastructures is now outmoded, and medium to high added-value clients are directed to more discrete and customised accommodation units like boutique hotels. Nevertheless, the question is how to orchestrate the upgrading of this nebula of hospitality micro-enterprises that are accustomed to making a profit from appropriating common goods and cheating the state (municipalities included).

Note that the non-enforcement of the law applies to other thorny issues such as illegal construction and the illegal operation of small units. To this effect, a study of Greek authorities in 1991 estimated that the number of beds counting among unauthorized 'rooms to rent' was more than one million, that is, higher than the corresponding number of beds provided by the totality (all categories included) of legally-operated hospitality units (Tsartas 2010: 40). Certainly, a study of 1991 is not a particularly useful reference today, especially in the tourist sector where things change so fast. However the aforementioned example gives some idea of the trials involved in consolidating the nebula of Greek micro-enterprises¹⁴.

There is then the *direct* business dependence upon public funds, which mainly flows through public procurements and public works. The influx of European funds over the last three decades contributed to the amplification of the phenomenon (Huliaras and Petropoulos 2016). Even though the state tried to use public works and procurement to implement a hidden industrial policy, in the end it has been captured by business interests. It is also important to note that state-dependent entrepreneurship was not limited to some big firms with the means to corrupt the state mechanism. The same game has been played by small and medium-sized businesses in newly created regions and municipalities, or in diverse niches at the national level.

Finally yet importantly, the blossoming of new firms in Greek KIBS (Knowledge Intensive Business Services) over the same period owes much to the demand of the broader public sector. This concerns above all the informatics sector, which has a reputation for selling services to the state rather than to private business. Moreover, as illustrated in Figure 2, the

¹⁴ It remains that cheating the state implicates very heterogeneous cases of the self-employed and small and medium-sized firms ranging from those who struggle to survive to those who richly benefit from the system.

development of a consulting sector has also hinged on public demand. The peak was in 2008 when public administration (national, regional, and European) accounted for 52 per cent of the sector's turnover. If we were able to add the orders from state-controlled enterprises (utilities, transport, and so on) then the percentage would probably be even higher than 65 per cent. In conclusion, the ascension of a new generation of entrepreneurship did not transform the spirit of Greek capitalism. Instead, the entrenched rules of the game enabled the rise of new entrepreneurs.

Figure 2: Part of public administration in consulting sector's turnover

Source: FEACO (2001-2016)

A milder and more promising version of the above business model can be found in a group of oligopolistic firms in non-tradable sectors such as banking, telecommunications and retail commerce. The state influences their prosperity in its capacity as regulator and not as client. It is worth noting that from the mid-1990s up until 2010 these firms proved capable of making important investments in Balkan and Black Sea countries. However, the question remains: what was the competitive advantage that cinched their successful entry into these transition economies? By *reductio ad absurdum* we can conjecture that the main strategic asset they possessed in comparison to their prospective or effective Western competitors is their know-how in dealing with a corrupt state (Doxiadis 2013). Nevertheless, the contrast between them and the firms specialised in public works and procurements, which in the midst of economic crisis desperately seek out foreign markets, is worth noting.

The acute problems of state-dependent business today help to articulate the point made in this section. In all well-organised states, firms try to influence state decisions according to their interests and often succeed, and practice tax evasion as well. This qualifies as ‘business as usual’. Which is not the case when private firms depend to such a great extent on public funds that they risk collapse should the state fail¹⁵.

Finally, it is self-evident that the different versions of indirect and direct state-dependent entrepreneurship schematically presented here do not span the totality of Greek business. Fortunately enough, there are also firms that prosper without cheating or seizing the state. The point is rather that the latter are hardly the dominant model for doing business in the country.

3.3 Final remark: Markets and state as two sides of the same coin

According to a widely held belief, Greek political economy is mainly characterised by the opposition between pro-market forces and their enemies, namely ‘underdog culture’ (Diamandouros 1994), collective ‘clientelism’ (Triantidis 2016, Afonso, Zartaloudis and Papadopoulos 2015), and ‘populism’ (Pappas 2014)¹⁶. The baseline is that the state is controlled by different rent-seeking groups (political parties, unions, civil servants, closed professions, ...) striving to stave off the necessary structural reforms, the Europeanisation of public policies, the liberalisation of the economy, and so forth. Without denying the important institutional rigidities provoked by rent-seeking groups, the approach in terms of familism, and especially of direct state-dependent entrepreneurship, challenge this thesis. By pointing to ‘real’ rather than ‘ideal’ market forces in Greece, it understands market and state as two sides of the same coin.

This ‘institutional complementarity’ between markets and state can be exemplified by the paradox of (moderate) liberalisation of the Greek economy over the period from 1990-2010. This liberalisation phase came as the only viable alternative after the failure of the Socialists in 1980s to overcome the crisis in the Greek economy by mobilising an ideal state mechanism and an even more ideal civil society (Tsakalotos 1998). Liberalisation was supposed to liberate the economy from both state corporatism and party clientelism. Yet, reality proved once again very different from idealised institutional alternatives. In fact, the combination of the liberalisation of the media with the deregulation-privatisation process paved the way for the rise of intermeshed or interlocking interests between business (direct state-dependent entrepreneurship), politics and media. In a nutshell, the more the liberalisation of the economy

¹⁵ Obviously, a part of the private sector collapse should be imputed to the serious difficulties faced by the financial system following the state’s failure. See however Gros (2015).

¹⁶ More than often, the notion of populism ends up to ‘politics of blame’ against left-wing parties/organisations and their respective leaders. Stavrakakis (2017) analyses the theoretical and political postulates underlying this ‘pejorative use of populism’. For a more complex account of populism in Greece, see Chrysogelos (2017). Finally, Xenakis (2013) points to the irrelevance of the trade-off between ‘modernizers’ and ‘underdogs’, as well as to *the hiatus between the discourse and the practices of the ‘self-identified modernizers’*.

advanced, the more powerful the oligarchy of intermeshed interests became¹⁷. The final outcome has been problematic not only for the long-term sustainability of the economy but also for the quality of democracy in Greece. As Mouzelis and Pagoulatos (2004: 97) remarked early on: ‘today’s so-called *diaplekomena symferonta* (intermeshed interests) undermine the autonomy of parliament in a similar (though by no means systematically comparable) way as did the institutional complex of the throne and the army in the early post-war period’.

Significantly enough, the ‘structural reforms’ imposed by Troika, had no bearing on intermeshed interests. Of course, in the context of unprecedented economic and political turmoil, the group of *oligarchs* has changed somewhat. Yet, the *rules of the game* have stayed the same. Unfortunately, we still know very little about the relationships between the state and the economic oligarchy. In general, the existing scholarship on Greek political economy studied extensively the rent-seeking behaviour of the ‘usual suspects’ (mainly labour unions and public sector employees)¹⁸, but remained very discreet about the capture of the state by business interests, and its crucial importance for the Greek growth model.

4. Business and the state (II): The tragedy of collective action among familists

In the political and political economy literature, the question of collective action usually refers to three broad issues: coordination within different organizations (parties, state, ...), relationships between interest groups, and cooperation between actors belonging to the same group. What follows concentrates on the third domain. From a general perspective, the analysis confirms the point already made by Molina and Rhodes (2007) concerning the complementarity between the failure of decentralised coordination and the pervasive state intervention that prevails in the European South. More specifically, the upshot is that in Greece coordination fails not only between social partners with opposing interests (Zambarloukou 2006; Ioannou 2010) but also *between actors of the same group*, who in principle are constrained to cooperate in the production of collective goods. This failure is explained by familism’s institutional logic: familists are good at appropriating collective goods, not at producing them.

¹⁷ Compare with Portugal’s ‘statist neoliberalism’ analysed by Evans, Verga Matos, and Santos (2018).

¹⁸ The evolution of the public sector wage premium in Greece is perhaps the most favourite theme in the relevant empirical scholarship (e.g. Christopoulou and Monastiriotis 2014, 2015; Kollintzas et al. 2018). Some non-Greek scholars working within the VoC approach (e.g. Hassel 2014; Hall 2014) seem to be over-influenced by the received wisdom which conflates the ‘twin deficits’ with increased wages in the public sector. Note also that the rent-seeking behaviour of wealthy – and tax evasion prone – liberal professions (mainly doctors, engineers and lawyers) is clearly understated in the literature: ‘While the liberal professions have not been studied in the context of interest group politics in Greece, their role becomes apparent when we focus on their capacity to veto important policy reforms, which threatened established privileges. Their strong bargaining position can be seen as stemming from their proximity to political elites, which in turn is demonstrated by their over-representation in parliament and government cabinets throughout the post-1974 period’ (Zambarloukou 2018).

The two groups studied here are farmers and industrialists. The former constitute the archetype of Greek familist society established in the nineteenth century, whereas the latter are by definition representative of the contemporary version of familism. These two seemingly divergent groups have two features in common. First, they operate in the low and medium-technology segments of the tradables sector and thus are exposed to intense competition from abroad. Second, the small size of the said enterprises constitutes a major handicap *vis-à-vis* their foreign competitors.

4.1 The calamity of agricultural cooperatives

Since the creation of the Greek state, the quasi-egalitarian distribution of land contrasts with the importance of big land owners in other countries of Southern Europe. The disadvantages resulting from the small size and fragmentation of rural properties in Greece could be overcome only by the development of cooperatives. Nevertheless, this proved not to be the case. Some intellectuals tried in vain at the dawn of the 20th century to introduce cooperative values in the Greek countryside. As one of them desperately remarked in 1909, Greece was an exception not only in comparison with Italy but also with other Balkan countries, namely Serbia, Bulgaria and Romania. The lone Greek cooperative stood in stark contrast to the 90-150 cooperatives per Balkan country and close to 700 in Italy (Patronis and Mavreas 2004: 52).

Thus, contrary to the other Southern European and Balkan countries, where there was an autonomous cooperative movement before the corporatist state intervened, in Greece cooperatives were the outcome of state-led modernisation efforts (Patronis and Mavreas 2004). As a matter of fact, the main objective of Law 602/1915 was to use cooperatives as a vehicle for procuring subsidised credit for independent farmers. Apparently, this resulted in an impressive increase in the number of cooperatives as well as in the amount of credit granted to farmers. Yet despite this quantitative success, the cooperative spirit of Greek farmers could not be roused. As Mazower (2002: 119) argued about the interwar period cooperatives: 'Their members lacked much sense of communal obligation or solidarity, regarding the organization as little more than a new means of obtaining credit'.

After World War II the corporatist model expanded beyond credit facilities to the provision of fertilisers and tools as well as to investment in warehouses and small agrifood units. Yet farmers continued to regard their cooperatives with the same distrust and opportunism with which the Greek people have always viewed the government. In fact, the behaviour of the 'representative farmer' went beyond the usual recourse to acquaintances and clientelistic relationships. As Legg so eloquently stressed (1969: 122):

And he (the rural Greek) will circumvent decisions of the cooperatives in the same manner he would any government decree. If possible, he will sell his own produce outside the marketing

organization, and he must often be persuaded not to destroy the implements or physical plant of the cooperative organization. He will seek as large a loan as possible from the Agricultural Bank, hoping to postpone or evade payment indefinitely.

When the socialist party (PASOK) came into power in the 1980s, it invested a great deal of public money to help transform cooperatives into competitive agrifood businesses. It is not clear to what degree this reflected PASOK's ideology or faith in the importance of cooperatives for the 'socialist transformation of society', or its cynical political manoeuvres to control the sizeable population still living in countryside. The salient point here is that for the past two decades the overwhelming consensus in Greece has been that the massive funding of cooperatives in the 1980s ended in a fiasco.

According to one explanation, the real culprit in the fiasco was PASOK's bureaucratic clientelism that transformed cooperatives into government transfer belts by promoting them to 'decentralised public services'. Unavoidably, the opportunism of the new cooperatives' leaders and their dangerous liaisons with the party's bureaucracy turned the initial democratisation-modernisation-decentralisation promises into a curse. This explanation is obviously true regarding PASOK's responsibilities in the 1980s. But it is not convincing from a historical, and especially *longue durée*, perspective. In Greece, cooperatives have always been used as transfer belts for central power policies. Most importantly, the failures of the 1990s did not transpire in a socio-cultural vacuum. Their leaders' opportunism (Iliopoulos and Valentinov 2012) was just the tip of the iceberg. The invisible part is already exposed in Mazower and Legg's excerpts cited above. Setting aside the rise of new opportunistic practices - hiring relatives, friends, and party supporters in the newly established administrations of cooperatives - it seems that nothing has really changed regarding the spirit of cooperation. In a nutshell, the expression '*plus ça change*' aptly sums up the depressing lesson offered by one century of cooperatives in Greece¹⁹.

In principle, setting new rules of the game could limit the combination of opportunism and technocratic ignorance in leaders, as well the dislocation of cooperatives by political parties. What is more difficult to alter is the way farmers are invariably tempted to cheat and seize their own cooperatives in the same way they swindle the central government. However, if people do not learn to cooperate and trust their fellow beings on a local and interpersonal level, they will never manage to do so on a national and impersonal scale²⁰.

¹⁹ In any case the problem of collective action still pertains in the Greek countryside. As Lamprinopoulou et al. (2006: 663) resumed: 'Although collective action between agrifood SMEs proliferates in many southern European countries, relatively few successful cases appear to exist in Greece'.

²⁰ From this point of view, it will be very interesting to follow the evolution of Social Entrepreneurial Cooperatives introduced by the Laws 4019/2011 and 4430/2016 (e.g. Apostolopoulos, Newbery, & Gkartzios, 2018).

Unavoidably, the same collective action impasses appear in modern ‘tragedy of the commons’ problems. In a recent contribution, Arvanitidis et al. (2015) studied the problem of depletion of groundwater in the Larissa area, one of the most important agricultural regions in Greece. The main cause of the depletion is that half of borewells are illegal. A question posed to farmers ‘asked to choose who should have the ownership of the groundwater in order for sustainability to be achieved’. The responses show that farmers have no confidence in their capacity of collective action: ‘almost half of the respondents (49.1%), opted for the specialized management organization, 20,5% upheld the central state, ... and only 11.0% endorsed a form of user-based ownership’ (ibid: 77). Obviously, Larissa, and subsequently the whole of Greece, is not the best place for applying Elinor Ostrom’s idea regarding the self-management of commons by community itself.

Moreover, one of the merits of the study is that it is not confined to classical social capital questions about trusting ‘others, but specifies different categories of ‘others’. The results are very instructive regarding the resilience of familism in the Greek countryside. In a scale going from 0 to 10, ‘friends are the most trustworthy group (mean 6.6), followed by technocrats (6.5) and relatives (6.0)’. Instead, respondents ‘were reserved against farmer associations (mean score of 5.6) and specialized bodies (4.9), and they distrusted local authorities (mean score of 3.8), other farmers (3.7), fellow-villagers (3.5), and the central state, which got the lowest score (3.0)’ (ibid: 80).

To conclude with an optimistic note, farmers’ confidence to a specialised management organisation, run by technocrats, points to a possible (‘second best’) solution to the impasses of collective action in Greek countryside. This point deserves further attention.

4.2 It is not the labour cost stupid! The question of collective action in manufacturing

According to an opinion widely subscribed to, the ultimate cause for Greece’s woes today can be traced to the collapse of competitiveness in tradable sectors, due to the increase in unit labour cost, over the period from 2000-2010²¹. Consequently, the only option for subsisting in the euro era seems to be an ‘internal devaluation’. In order to avoid discussions about

²¹ For a more general argument, within the comparative political economy of European integration, see Hancké (2013). For critical assessments of the approach in terms of unit labour costs see Rhodes (2014), Jones (2015), and Perez (2018). As Rhodes (2014: 657) stressed: ‘The problem, therefore, may not be so much the lack of wage moderation in the southern countries, nor wage inflation spreading from southern non-traded to traded sectors, *pace* Hancké, but rather *the historical background of poor productivity performance*. And the problem is linked in the European south not just to the absence of company-level productivity coalitions (which may well contribute to the problem) but to broader circumstances, such as the very large number of small firms’ (*italics added*). Greece’s ‘historical background of poor productivity performance’ constitutes the subject-matter of the present paper.

‘ultimate’ and ‘proximate’ causes in the past, the best way to test this position is to see whether it delivered on its promises.

Figure 3: The relationship between the decrease in *Relative* Unit Labour Costs and the increase of goods’ exports from 2008 to 2016 (in percentages)

Source: AMECO 2017

Figure 3 represents the relationship between the percentage decrease of unit labour cost (relative to the rest of 37 industrialised countries) and the percentage increase of exports in goods (at constant prices) from 2008 to 2016. The European countries included are those upon which austerity programmes were imposed (Greece, Ireland, Latvia, Portugal, and Spain) and Italy. Judging from the ‘trend line’, the two extreme cases, Italy and Ireland, got what they paid for. The unfortunate outlier in this story is Greece, which incurred terrible social costs for only paltry economic benefits (see also Theodoropoulou 2016). Had it been on the ‘trend line’, Greece would have doubled the percentage of exports increase²². A part of this gap is due to the increase in excise taxes on energy for industrial use (Mitsopoulos and Pelagidis 2014)²³.

²² If we replace the ‘Relative Unit Labour Cost’ (Relative ULC) by the ‘Real Effective Exchange Rate (REER) - deflated by the Relative ULC - the big picture remains the same, but with fewer deviations from the ‘trend line’. Thus, Greece’s divergence from the ‘trend line’ is reduced from 99% to 64% of its actual percentage. Even in this case, the gap is too great to be ignored. Finally, one might think that the reason for Greece’s underperformance in exports is rooted in the capital controls established in 2015. However, even if we examine the period from 2008-2014, the gap remains the same.

²³ Instead, a comparison with Portugal shows that the negative impact of the financial system on exports is clearly overestimated (Gros 2015).

Nevertheless, this conjunctural calamity cannot account for Greece's *longue durée* and *structural* deficiencies in the tradable sectors. The country has always been an outlier amongst Southern European economies regarding its percentages in goods exports and trade balance.

Mutatis mutandis Greek manufacturing faces similar challenges to the agricultural sector. The vast majority of firms being small and medium-sized enterprises, they cannot afford to invest independently in innovation. The only alternative they have for surviving is to cooperate amongst themselves in unison with public authorities for the co-production of the collective goods (R&D, design, training, market research,...) they need. Regrettably, there are no bottom-up initiatives on the part of firms and their collective representatives in this domain. At the individual firm level, there is fierce competition for acquiring, through bribery and acquaintances, subsidies and favours from the state. At the collective level, the usual claims made on the state regard direct and indirect labour costs, the flexibility of labour markets, taxation, bureaucracy, and the legal framework. In this context, the state takes upon its shoulders the responsibility for bolstering the *structural* competitiveness²⁴ of the productive system through top-down interventions that usually fail.

Regarding technological innovation, one of the most interesting initiatives taken by the Greek state was to establish as of the mid-1980s six 'Industrial Research and Technological Development Companies' (EBETA) in key-sectors of the economy (textile, food, ceramics, metallurgical products, shipbuilding – marine technology, and aquaculture). Brushing aside the fact that changes in government implied a reshuffling of the boards of directors - albeit still 'business as usual' in Greek politics - the whole project was based on valuable ideas, at least in the initial stage. First, in order to avoid the bureaucracy of the state mechanism, the applied research institutes have been established as semi-public companies. Second, even though the state at large controlled the bulk of activities, it requested the symbolic capital participation of private firms and their representation on the company boards. The latter also included university professors specialised in the relevant research areas. Most importantly, contrary to the 'horizontal' technology policy that mechanically followed EU blueprints in the 1990s and early 2000s (Liagouras 2010), the project pragmatically targeted key tradable sectors of the Greek economy.

Notwithstanding the above positive aspects, an evaluation by Logotech (1997) brought to attention serious deficiencies preventing these companies, particularly four out of the six, from accomplishing their goals. Very briefly, most of the problems can be summed up in a vicious cycle between top-down errors and bottom-up inertia. Today, three of the companies that were viable have been consolidated, together with a part of the 'Greek Standardisation

²⁴ For econometric studies pointing to the problem of non-price competitiveness in Greek exports see Athanassoglou & Bardaka (2010) and Bournakis (2014).

Organisation', to form a single company (EBETAM) providing certification and testing rather than R&D services to firms. Certainly, the final outcome brings to the fore serious design errors on the part of the state that underestimated the technological backwardness characterising the majority of Greek firms. A solid strategy would be to start from certification and testing services, to pass next to soft innovation services (marketing, design, information diffusion etc.), then try at the end to grapple with the rigors of technological innovation. Nevertheless, whatever errors the state committed, the point is that neither the firms concerned nor their collective representatives proposed an alternative scheme for collective action.

Recently, the left-wing government announced its willingness to restore EBETAM to its initial role, as an industrial research provider. The government's intentions troubled EBETAM employees who feared a painful shrinking of the company in the future. Such a fear is not unjustified. Technological backwardness is not a technical problem, especially in a country with a permanent surplus of skilled researchers. It is rather the symptom of serious failures in coordination. Therefore, the priority is to reach through dialogue and *tatônnement* a new 'social contract' among the stakeholders. Then technological advances, if any, will follow.

Note that the problem with the provision of collective goods does not change when we make a pragmatic shift from hard to soft innovation services. During the 1970s and 1980s, the opening of Greek economy to European and global competition led to the total collapse of entire traditional manufacturing sectors (textile, footwear, leather, furniture). Significantly enough, at the same time, the Third Italy's small and medium-sized enterprises prospered in the same traditional sectors thanks to the close cooperation between all the stakeholders in soft innovation investments (Pyke, Becattini, and Sengerberger 1990)²⁵. It seems that the ultimate reason for Third Italy's success story is based on the clever combination of the positive aspects of familism (e.g. micro-solidarity) and civic culture.

5. Concluding remarks

'On ne change pas la société par décret' (Crozier 1979)

Since 2010, the neoliberal agenda imposed by Troika struck *inter alia* at the sitting ducks of familism in Greece. However, even if we set aside the economic fiasco of the neoliberal policies, the resulting 'coercive Europeanisation' (Magone 2016) hardly clears a pathway for sustainable development.

²⁵ Today the model of Italian industrial districts seems to be over. However, the accumulated know-how permits to explore new forms of integration in the world economy (De Marchi, Grandinetti 2014; De Marchi, Di Maria, Gereffi 2017).

First, attacking the symptoms does not imply any change in the social grass roots of the familist model. The latter is still dominant in society. Even worse, the realisation that democratic elections do not make any difference caused most people to revert to Banfield's 'amoral familism'. Second, from a Polanyian point of view, the present situation of a disembedded market economy is untenable in the long run at least for a Southern European society. Rangone and Solari (2012: 1188) nicely summed up the situation of Italy during the last decades: 'From the Southern-European model to nowhere'. This seems to be the 'fate' of Southern Europe in general, but the case of Greece is by far the most awkward. Given the pressures of foreign competition and the burden of debt, a return to the former familist model does not seem like a plausible alternative. Consequently, the best way to avoid a regression towards the imaginary families of 'nation' and 'race' proposed by the far-right is to rise from the destruction of past rigidities to the progressive elaboration of a new 'social contract'.

The latter cannot be transplanted from abroad. The EU's 'best practises' proved good for absorbing money from structural funds (Liagouras 2010, Huliaras and Petropoulos 2016) but of little use in building a sustainable socio-economic model. In truth, Europe can help in two ways. First, by giving Greece one more chance, that is, by loosening the Memoranda straightjacket that will otherwise further depress the economy and paralyse Greek society for the next few decades. Second, and most important, by accelerating the financing of investments in Greece through the *European Investment Bank*. Without the EU's support, the Greek economy risks further stagnation for many years to come. Still, such a Keynesian stimulus²⁶ from abroad is a conducive only to kick-starting growth. If the argument posited in this article is correct, only a new vision of society could provide a sustainable solution to the present crisis.

In the pursuit of a new socio-economic model, the first objective should be that of its own volition the state seeks to gain the respect of its citizens. This is relatively easy as concerns 'cheating the state' practices – in fact this project is already in effect - yet very tricky for 'capturing the state' practices. Over the course of recent decades, it has been commonplace for political leaders to promise that once in power they will put an end to the capture of the political system by business interests, and especially economic oligarchs. The fact that these promises have ended up as chimeras, calls into question the existence, in a latent state, of a new entrepreneurial class. This said, amidst the crisis we come across numerous case studies

²⁶ There are also two other sources of foreign investment: the privatisation of the remaining public assets - transport, energy, tourism and real estate - and the transformation of Greece to a logistics hub for South-Eastern Asian economies, and especially China. The importance of the first source is overly exaggerated, perhaps for ideological-political reasons. Playing the 'China card' seems to be a sound solution. It remains, however, that the linkages of logistics with the rest of the domestic economy are not very significant. Therefore, the only way that partnership with China could really benefit Greek economy is to boost Greek exports to China *and its MNEs*. But this presupposes the elaboration of a strategic plan resulting from ... the tight cooperation of exporting firms and public entities.

about the creation of new (mainly micro) firms, which, *de facto*, do not follow the classic state-dependent business model. The big question is whether this new kind of entrepreneurship will proliferate enough in an eventual growth of the economy to provide a pool from which a new entrepreneurial class could emerge. Of course, this is a long-term project.

The second objective is also very difficult to attain because it refers to the deficits of collective action. From the previous analysis, it should be clear that only the state can change the rules of the game and prompt the familists to cooperate. The changes required by the ‘learning to cooperate’ project are not expensive at all, but they necessitate a cultural revolution in public policy makers’, as well as in stakeholders’ mentalities. Given that the crisis is also a laboratory for social innovation, it is extremely important to examine at the micro or local level whether there are initiatives that stretch beyond private sector inertia, and its corollary, the state’s top-down intervention²⁷.

Finally, the most important point to retain is that you cannot transform a society by (only) changing the formal rules of the game. As Gramsci’s legacy teaches us, what matters above all is the elaboration of a new ‘hegemonic discourse’ capable of cementing a corresponding ‘social block’ (Amable and Palombarini 2009). It follows from the previous analysis that the new narrative’s success will be contingent upon its capacity to promote a hybrid social model combining a form of civic culture with the positive values of family and friendship that constitute the inner core of Greek society²⁸. Obviously, in the short run all this sounds like wishful thinking. However, over the last decades there are some signs of secular changes regarding the material basis of familism. For example, in big cities extended family ties have shown a tendency toward decline. Usually, they are replaced by stronger friendship networks. The latter provide less financial solidarity to individuals, but at the same time are based on more ‘contractual’ relationships. We do not know what this evolution means for the future of familism in Greece. Perhaps it is significant that Prime Minister Costas Simitis’s modernisation

²⁷ For a Polanyian micro-account regarding the counter-movements’ action amidst Greece’s social disaster, see Kentikelenis (2018). See also, in a more activist tone, Petropoulou (2014), Arampatzi (2017), and Papadaki and Kalogeraki (2018). The big question is whether the above counter-movements and solidaristic networks will have any sensible effect on the tragedy of collective action characterising the Greek social model as a whole. Remember that, *pace* Banfield, familism implies a strong morality and ‘in-group’ solidarity. For example, Rakopoulos (2016: 143) who refers to the relevant social anthropology literature (e.g. Campbell, Du Boulay, Loizos) suggests that solidaristic movements ‘creatively refashion’ the ‘pre-existing repertoire’ of familist reciprocity. The latter, however, should not be conflated with the *civic ethos*, which is missing in Greek society.

²⁸ Hybrid cases include Third Italy’s districts (a combination between family values and civic culture), Japanese micro-corporatism (the firm as a substitute for family) and the yet *terra incognita* of Chinese clan-family firms (Greif and Tabellini 2017). Regarding East-Asia’s familism, see also Papadopoulos and Roumpakis (2017: 871): ‘it is essential not to approach family as a care provider and neither to confine its analysis of power dynamics to gender relations. We need to extend it to the spheres of production and more importantly social reproduction’.

project (1996-2004), regardless of its ideological remove from reality²⁹, rallied a social block in which big city inhabitants, and especially the working middle class, were the dominant group.

In the quest for a new hybrid model of society, the social research scrutinising the mutations of Greek society over the last decades, and especially during the crisis, will be more helpful than the different versions of 'blackboard economics' that devise growth or productive models in a social vacuum. In the last instance, techno-economic divergence is both a social and a political issue.

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²⁹ At the level of political discourse, see Lyrantzis (2005: 251): 'The "modernisation" project was in fact defined in a negative rather than a positive manner. Modernisation was opposed to the old populist practices as well as to the conservative bloc (...) Immediately after the 2000 electoral victory it became clear that the government was gradually but steadily losing ground. "Modernisation" remained an abstract and ill-defined scheme, which was reduced to "Europeanisation", and once this goal was achieved it was not followed by other initiatives that could capture the imagination of the electorate and create a new hegemony for the centre-left'.

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