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Helen Caraveli[#] and Efthymios G. Tsionas*

ABSTRACT

In the debate concerning a country's structural weaknesses there is an obvious neglect of space issues, an important component of which is regional imbalances. Yet, the persistence of such imbalances within countries has dictated the continuous investigation of their causes and of the required policy reforms for their reduction. Structural changes, economic integration on a global or regional scale and economic crises have been considered major factors for increasing or decreasing domestic regional concentration and disparities, while economic policy can mitigate (or strengthen) their effect. This paper attempts to examine and critically evaluate the above issues for the case of Greece, where regional inequalities, measured by per capita GDP, have widened over time consolidating the country's polarized structure and where restrictive macroeconomic measures as well as regional policy implemented through the Community Support Frameworks appear to have been inadequate in most cases or even to have intensified the above picture. A discussion of future prospects under Greece's current difficult situation is attempted in the conclusions.

Key words: regional inequalities in Greece, structural changes, debt crisis, restrictive macroeconomic measures, regional policy.

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1. Introduction

The persistence of regional inequalities within countries in the course of economic integration/globalization has dictated the continuous investigation of their causes and remedies (i.e. the policy measures required for their reduction) - and, on the theoretical level, the contestation of the neoclassical paradigm of convergence - which coincides with that of 'disequilibrium' space theories assuming more advanced stages of economic integration. Yet, regional imbalances are rarely taken into consideration in discussions or analyses concerning a country's structural weaknesses including its relatively low competitive position.

For the EU case in particular, a number of studies have pointed out that half of the income inequalities existing between member states are attributed to regional inequalities within individual countries which threaten EU cohesion (Dall' Erba 2003; Caraveli et al., 2008; Martin 1999, 2004; Petrakos et al., 2003; Puga, 2002;). Among the factors affecting a country's internal economic geography and regional imbalances, economic integration on a regional (European) or global level and economic downturns have been the objects of substantial research. For example, Galbraith (2011) supports that in contemporary economies, globalization (which he defines as the global terms of trade between sectors), rather than internal structural change, plays the dominant role in determining the movements of inequality both between and within countries, describing the period 1972-1980 as one of moderately declining inequality and the period 1980-2000 (which coincided with the global debt crisis of the '80s and the wave of deregulation and liberalization in Asia in the 1990s), as one of sharply rising inequalities. In particular, he claims that "economic crises tend to raise unemployment, shift the share of income towards capital and worsen the distribution of pay" (p. 24). This could imply an increase in geographical concentration to big urban centres and a rise in disparities, assuming that higher unemployment rates prevail in peripheral areas. Many studies on EU economic cycles also show that regional disparities tend to rise in periods of severe recessions and fall in periods of economic growth (referred to in Petrakos & Psycharis, 2004; Petrakos, 2009). This is largely the outcome of the restrained fiscal policy measures imposed in such periods (as in the downturn of the 80s in OECD countries) which 'hit' harder the weakest regions or lead to chronic structural imbalances, failing to generate convergence at the national or regional level (see for example, Argeitis, 2005). The above topics have acquired increased significance after the outbreak of the current debt crisis, from 2008-09 onwards, and the adoption of the 'austerity measures' which it necessitated. Indeed, statistical evidence reveals that the unequal geographical impact of these developments has been substantial (see for example Kitson et al., 2011; Monastiriotis, 2011). In contrast to these findings, many researchers have shown that during periods of economic crisis, a reversal of concentration trends with a tendency towards regional convergence becomes apparent, as the highest income sectors (mainly in technology and in finance) enjoy their greatest income growth in boom times, whether driven by domestic investment or by exports, and thus income and inequality rise together (see Petrakos and Saratsis, 2000; Petrakos & Artelaris, 2008; Petrakos, 2009).

This paper shows the trend in regional inequalities in Greece, a southern European country severely hit by the on-going financial and economic crisis, and attempts to relate it to some of the above factors. Measured by per capita GDP, internal inequalities have widened over time, resulting to the consolidation of a centre-periphery pattern, characterized by the augmentation of the capital region's (Attica) size, and the widening of the gap between this region and the rest of the country. While restrictive macro-economic measures adopted from the mid-80s onward have probably adversely affected the regional distribution of resources and economic activity, regional policy, implemented through the Community Support Frameworks, has proved inadequate to reverse the above trends. The methodological approach is based on: the statistical documentation of regional inequalities in Greece and the graphical presentation of their evolution in the period 1995/97-2007/9 (Section 2); an examination of regional inequalities within the context of general structural imbalances of the Greek economy with reference to general macroeconomic policy measures over past decades (Section 3); an evaluation of the role of regional policy implemented through the Community Support Frameworks (CSFs) (Section4 and an assessment of future prospects in this context under Greece's current difficult position in the conclusions.

2. Regional disparities in Greece

Tables 1 and 2, which show, respectively, per capita GDP in Greek regions and the regional allocation of gross value added by sector of production in year 2008, reveal the polar development model, or the core-periphery pattern, of the Greek economy.

Table 1 shows the superiority of the Attica region (followed by South Aegean) in terms of per capita GDP and Table 2 shows the concentration of economic activity in Attica and Central Macedonia (the region of the sub-capital, Thessalonica). Thus, dynamic sectors, representing 'entrepreneurial activity', are heavily concentrated in Attica (in particular, 34,4% of secondary and 55% of tertiary activities in total gross value added are located in the capital region), followed by Central Macedonia (which hosts 17% and 12,7% of the same sectors, respectively). As a result, half of the country's GDP is produced in Attica and 14% in Central Macedonia.

TABLE 1: Per capita GDP in Greek regions (2008)

Region	Per capita GDP (country = 100)
Attica	137.67
South Aegean	103.76
Mainland Greece (Sterea Ellada)	90.95
Crete	90.26
Peloponnesus	82.14
Western Macedonia	82.12
Ionian islands	79.05
Central Macedonia	78.06
Thessaly	73.88
Epirus	73.18
Northern Aegean	72.19
Eastern Macedonia & Thrace	67.22
Western Greece	64.43

Source: Greek National Statistical Authority. Regions - NUTS II level.

TABLE 2: Gross value added by region and sector of production-2008 (% in the country's gross value added)

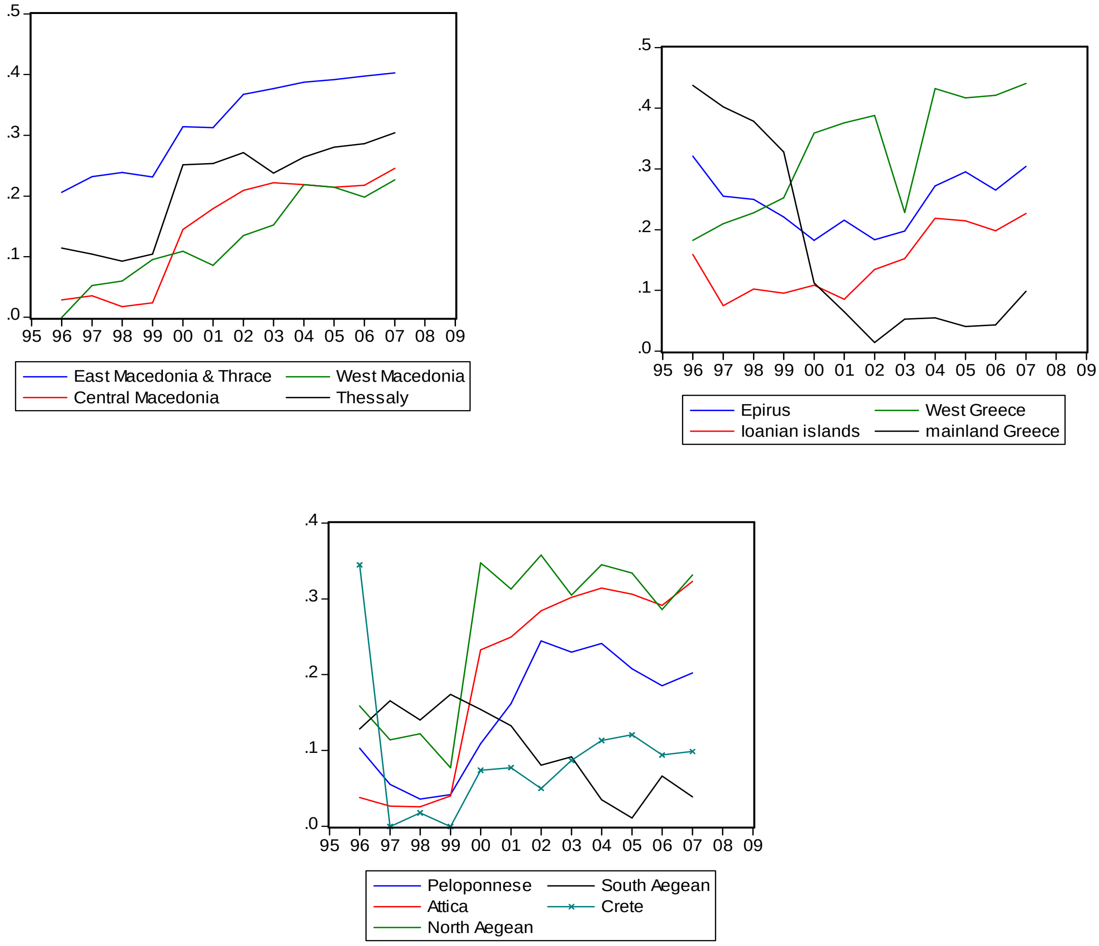
Regions	Primary sector	Secondary sector	Tertiary sector
Eastern Macedonia & Thrace	8.4	4.5	3.3
Central Macedonia	20.3	**17.0**	**12.7**
Western Macedonia	4.0	4.4	1.6
Thessaly	11.9	**6.3**	4.2
Epirus	4.7	2.4	2.2
Ionian islands	1.6	1.3	1.7
Western Greece	11.2	5.1	3.8
Mainland Greece (Sterea Ellada)	9.6	**10.0**	2.9
Peloponnesus	9.4	**7.5**	3.4
Attica	4.9	**34.4**	**55.0**
North Aegean	2.2	1.1	1.3
South Aegean	2.0	2.3	3.0
Crete	9.8	3.9	4.9
Country total	**3.7**	**19.0**	**77.3**

Source: Greek National Statistical Authority. Regions - NUTS II level. Own calculations.

The persistence over time, and in most cases the widening, of regional inequalities in Greece has been confirmed by the empirical analysis of Caraveli & Tsionas (2011) and graphically presented in Figures 1 and 2, which show the rising divergence of all regions from the national average and the capital region respectively[1].

[1] Using data from the Greek National Statistical Authority and Eurostat, regional disparities, relative to the country average, were examined by developing graphs of $V_{rt} = \left|\log \frac{Y_{rt}}{Y_t}\right|$, where Y_{rt} is real per capita GDP in region r ($r = 1,\ldots,R$) and time t ($t = 1,\ldots,T$), while Y_t is the national level of GDP per capita. Essentially V_{rt} is a measure of 'sigma convergence'. Regional disparities relative to Attica are estimated with the use of measure $V_{rt} = \left|\log \frac{Y_{rt}}{Y_{0t}}\right|$, where Y_{0t} is Attica's GDP per capita (see Caraveli & Tsionas, 2011).

FIGURE 1: Regional disparities in Greece (relative to national GDP per capita)



Source: Reproduced from Caraveli & Tsionas (2011).

Figure 1 shows rising disparities of all regions relative to the country-average. Mainland Greece and South Aegean appear to be the exception, as their divergence from the average decreases until 2002, but increases thereafter. Western Greece seems to be another region with a 'break' in its divergence around 2003, but an overall rising trend in its disparity from the average. The constantly rising trend in Attica's disparity shows its continuous augmentation relatively to the rest of the country.

Similarly, in Figure 2, all regions are shown to diverge from Attica, with the exception of Western and mainland Greece, which show convergence in certain periods (2003 and 2000, respectively) and divergence afterwards[2]. The reversal of this trend towards divergence is basically due to the revision of GDP after 2000[3], which upgraded the position of prefectures and regions heavily oriented towards tertiary sector activities (mostly Attica & South Aegean) – e.g. tourism, trade, public administration, real estate, etc. - at the expense of mountainous as well as inland prefectures of mainland Greece.

The latter are the areas still characterized by a strong dependence on the primary sector, a relatively small presence of the tertiary sector and lack of significant urban centres. The polarized structure of development was as a result further consolidated, with the strengthening of the largest urban concentration in the country - the metropolitan area of Athens (Papadaskalopoulos & Christofakis, 2007).

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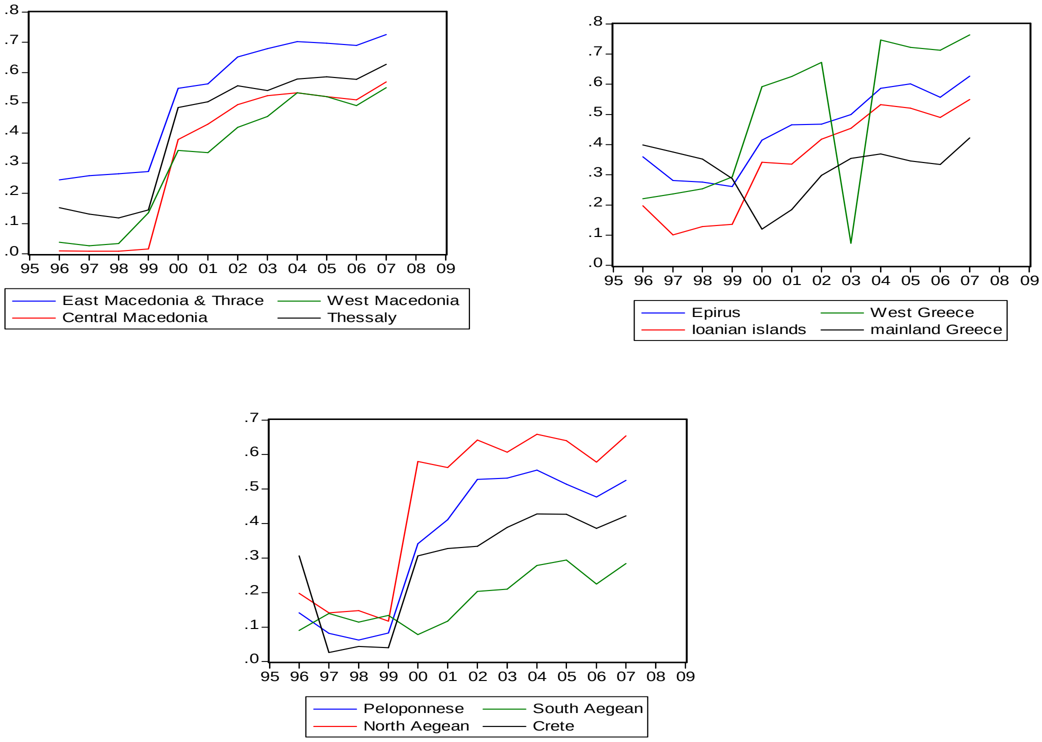
[2] The trend towards convergence of mainland Greece is due to the fact that this region has become a site of industry location, resulting to a remarkable improvement in its relative income position at both the national and the EU level - a development which led to its exclusion from objective 1 of the structural funds and its gradual entrance in objective 2.

[3] The new method of calculating GDP was based on the co-estimation of the "unrecorded" or "non-observed", "hidden and informal", sector of the economy, amounting to about 30-40% of real economic activity (Michailidis 2009, p. 411, Papadaskalopoulos and Christophakis 2007).

FIGURE 2: Regional disparities in Greece (relative to Attica' GDP per capita)



Source: Caraveli & Tsionas (2011).

The rising disparities of Greek regions resulted in their divergence from the EU average, measured by real (PPS) per capita GDP of EU-27, in the period 1996-2007: Only Attica's and South Aegean's shares rose - the former from 87% in 1996 to 128% in 2007 and the latter from 94% to 96% - while the share of mainland Greece fell dramatically - from 129% to 84%. Income disparities in Greece, measured by the coefficient of variation, increased, on average, from 10% in 1996 to 27% in 2007, whereas in the EU as a whole, they decreased from 32,5% to 28,3%, respectively (European Commission, 2007).

3. Regional as part of general structural imbalances and macroeconomic policy

The persistence (in the long-run) of regional inequalities in Greece with the strengthening of the leading position of the Attica region constitutes a serious structural problem, which several authors have attributed to a combination of factors. Such factors are historic (for example factors that led to the establishment of the capital region in the specific location), geomorphologic (e.g. the high proportion of less-favoured, mountainous and insular, areas), economic (e.g. economies of agglomeration, quality of human resources, European economic integration, etc.) and political, such as the centralized structure of public governance (Kostopoulou 2009; Petrakos 2009). Added to the severe structural imbalances characterizing the overall economy in the past three decades – reflected in the swelling debt, high government deficit, rising unemployment and a serious production or 'supply deficit', leading to a low export potential/low competitiveness – the 'regional problem' contributes to limiting the economy's possibilities to develop, by inhibiting the exploitation of the periphery's resources (see also Petrakos 2009: 374).

Regional imbalances have quite naturally been shaped by structural changes taking place in the Greek economy in the past 50 years or so, reflected in the substantial reduction of the agricultural sector's share in both GDP (from nearly 24% in 1961 to 2,4% in 2010) and labour force (from 52% to about 12% in the same period)[4], the significant rise in the share of industry until about 1981 and the relatively much higher share

[4] This share is still large compared to EU-27 average, which in 2010 was 1,1% in GDP and 5,1% in total population.

of services through the whole period[5]. The trend in the allocation of gross fixed capital formation by sector of economic activity in Greece in the last decade, shown in Table 3, reflects another important structural change, the rise in the relative importance of 'producer and consumer services' (finance and real estate), as well as of commercial activities[6], at the expense of 'real production', i.e., 'industry' and 'construction'. Such structural changes contributed to the widening of regional disparities by strengthening urbanization trends and concentration in metropolitan centres.

TABLE 3: Structure (%) of Gross Fixed Capital Formation in Greece: 2000-2007

Sector of economic activity	2000	2004	2007
Agriculture, etc.	4,2	4,2	5,6
Industry (including energy)	13	7,6	7,8
Construction	1,3	1,2	2,2
Commerce, hotels, transport	20	27,5	24,1
Finance and real estate	37,5	39,9	43,1
Other services	23,8	19,1	16,9

Source: Greek Statistical Authority.

The whole post-war period can be divided into two large sub-periods, which differ in economic success and dynamism. The period between 1950 and 1973 was a dynamic one (see Figure 3), signaling the way towards modernization, expressed by the high growth rates in GDP (ranging from 5 to 8%), public debt below 20% and a surplus government

[5] The share of agriculture in total regional gross value added ranges from 0,4% in Attica to over 9% in Thessaly and western Greece, while the corresponding share of the secondary sector ranges from around 13% in Attica to about 39% in western Macedonia and 42% in mainland Greece; the share of services ranges from 50% in mainland Greece to 86% in Attica and 82% in south Aegean (Greek Statistical Authority, 2008 - own calculations).

[6] These however were traditionally the activities in which small and medium private capital preferred to invest (due to their high profitability), whereas large capital (i.e. shipping capital) chose to invest in maritime activities (see Serafetinidis et al. 1981, p. 299).

budget. The successful economic performance of this period was largely due to foreign exchange inflows (foreign aid and emigrants' remittances[7]), which raised domestic demand and reduced trade deficits, but also to the boom in the world economy which contributed to boosting Greek shipping and tourism. In fact, in 1974 "gross receipts from shipping became the most important item of invisible receipts accounting for 36% of gross receipts, while net receipts from shipping covered 25% of the deficit in the balance of trade for that year" (Serafetinidis et al., 1981: 298)[8]. Economic policy was instrumental to this success, as in the 50s and 60s, Greece implemented import substitution policies in order to achieve self-sufficiency in a number of products (mainly wheat), but also to promote the development of industry. As a result, the period 1961-73 was one of rapid industrialization, in which the share of industry in GDP rose from 28% to 33% and in total exports from around 14% to nearly 70%, labour productivity in the industrial sector nearly tripled and new industrial branches (mainly in heavy industry) emerged[9] (Fragiadis, 2010). This impressive economic performance however also implied the substantial

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[7] Internal migration (from rural to urban areas, mainly to the capital) was evident since the mid-1950s, but the decade of the 1960s marked the second big wave of emigration abroad, this time to W. Europe, following a contract signed between the governments of W. Germany and Greece.

[8] For a thorough and well documented analysis of the substantial role of Greek shipping capital in the development of Greek capitalism see Serafetinidis et al, 1981.

[9] Serafetinidis et al, 1981 (p. 300) note that "heavy industry branches were precisely those into which most of the foreign capital inflow was directed. Part of this capital consisted of shipping capital and was mainly concentrated in branches closely related to shipping activities, e.g. oil refineries, shipyards, etc." Fragiadis (2010) further notes that no long-term development planning was designed during this boom period of the Greek economy (apart from monetary stability), while the increase in industrial activity was based on heavy state protectionism, which had distorting effects on overall development and did not prepare the country for its exposure to EU and international competition. In addition, industrial development of the period 1961-73 did not lead to the establishment of competitive sectors, based on modern technology and innovation.

rise in regional imbalances, reflected in the massive abandonment of many mountainous and insular communes, as a result of internal migration to the capital region and emigration abroad (as domestic employment creation in industrial and tertiary activities could not absorb the surplus farm labour).

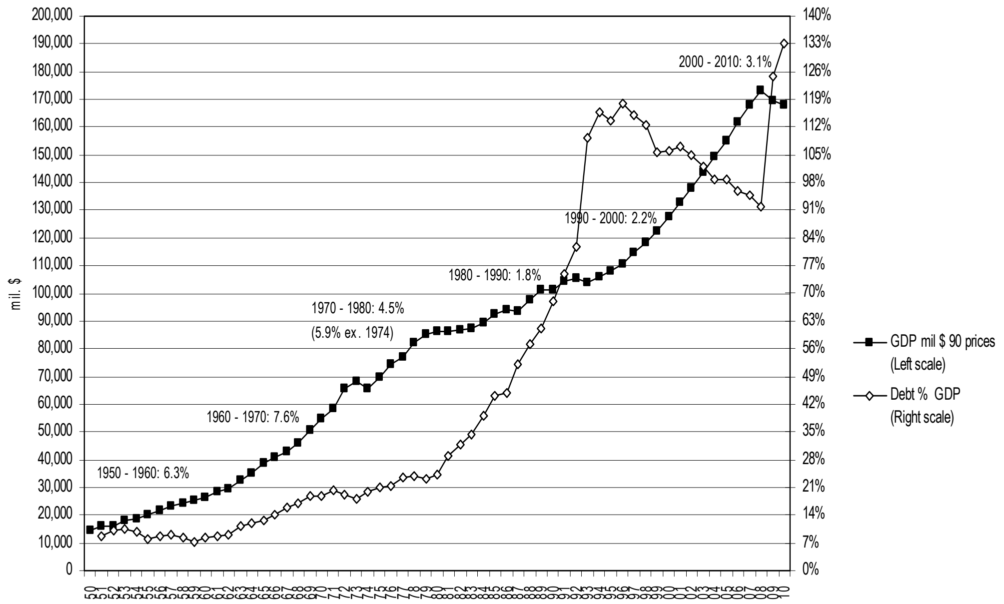
On the contrary, the period from the mid-70s until about the beginning of the '90s was less dynamic and efficient, characterized by a slowdown in growth rates (see Figure 3), the emergence of current account and public deficits and the rise of public debt to high proportions of GDP. We could say that the 1980s marked the entrance of the Greek economy into an era of macroeconomic imbalances, with an augmentation of the rates of unemployment and inflation. The worsening of the economic performance and the fiscal crisis that emerged was attributed by most analysts to the dramatic rise in the share of the state in the economy[10] (Alexiou, 2005; Halikias, 2011). While it is true that the augmentation of an unproductive state for 'clientelist' purposes has been greatly responsible for the worsening of fiscal magnitudes, many researchers have considered macroeconomic imbalances as "the direct impact of the country's widening production deficit", to which further pressures were exerted by the restrictive macroeconomic policies of the period 1985-1997. Such policies, implemented through 'stabilization programmes', led, according to these writers, to a redistribution of income from labour to capital (expressed through "an increase in the share of profits and a reduction in the share of wages in total income"), a reduction of total

[10] Yet, the empirical results of a number of studies show that, in the case of Greece, selective state expenses exert a positive impact on economic performance and overall welfare, so that it is a restructuring of public expenses that is required rather than a general reduction (see for example Alexiou, p. 177).

gross investment, i.e. of capital accumulation, and a rise in unemployment (see for example, Argeitis, 2005: 72-75; Alexiou, 2005; Michailidis, 2009). Other researchers too have stressed the de-industrialization that Greece experienced in the 1980's "which signalled a restructuring of the traditional manufacturing industries" (Benos & Karagiannis, 2007: 16). A relative improvement in all magnitudes was observed since the mid-90s (see Figure 3) - most probably as a result of the first two stabilization programmes, aimed, among others, at achieving real convergence at the EU level – which allowed the country's entrance to the Eurozone in 2001. New macroeconomic imbalances emerged since 2008 (the onset of the new global crisis), when a negative real GDP growth rate appeared. This outcome has been attributed to the unsustainable development model – entirely dependent on (private and public) consumption rather than investment (Halikias, 2011) - and by others to the 'austerity measures' applied in the previous decades - leading to chronically low domestic demand and public investments, strengthening the 'supply deficit'/low competitiveness problem (Argeitis, 2005). It is estimated that measures under the memorandum, signed between the Greek government and its lenders to deal with the current economic crisis, have led to further reductions in both public and private demand and consumption. As a result, the recession for 2012 is expected to be about 6% and unemployment rates to reach levels higher than 21% on average, and between 30 to 40% in the ages under 35[11].

[11] In 2010, public debt constituted 142,8% of GDP and private debt 112% of GDP, so that total debt represented 255% of GDP, and the budget deficit reached 10,5% of GDP. For 2012, public debt has been estimated to around 170% of GDP.

FIGURE 3: Real GDP, rates of growth & debt of Greece between 1950 and 2010



Source: Reproduced from Halikias (2011).

It is difficult to discern the impact of the above developments on regional inequalities, but a number of studies have dealt empirically or qualitatively with this issue. Petrakos and Saratsis (2000: 62) show empirically that, at least partly, regional inequalities in Greece decreased in the decade of the ’80s as result of the recession which characterized it. On the contrary, the recovery that followed increased regional inequalities since it began in the more advanced regions of the country. This is because the areas which attract a large proportion of economic activities and ‘modern’ sectors (notably Attica and Central Macedonia) are those to be first and more severely hit by international economic crises. More recently, however, some authors provide evidence on the relatively higher negative impact that the recent austerity measures (adopted within the framework of the memorandum) had on peripheral regions, mainly those more dependent on the public sector.

Monastiriotis, in particular (2011: 6, 8), claims that regions in the north and north-west of the country (i.e. Ipeiros, Western Macedonia and North Aegean) where public sector and pensions constitute over 50% of household incomes, while the shares of employment in the private sector are lowest and industrial bases weakest, could see a reduction in household incomes by as much as 40% more than in the capital and other higher income regions like South Aegean and Crete. A similarly regressive effect on peripheral incomes is likely to come from the reduction in the progressivity of income taxation following the decision to reduce the non-taxable income threshold. These effects are in turn likely to lead to lower incentives for private investments and further outmigration strengthening regional polarization.

The deepening of European economic integration during the 1990s (initiated with Greece's participation in the European Monetary Union in the beginning of the decade) strengthened the de-industrialization process in many industrial regions (mainly in northern Greece) which were not sufficiently diversified and lacked a significant tertiary sector to counterbalance the loss in productive potential, augmenting regional disparities from metropolitan centres. Thus, in the period 1981-2007, the GDP of Eastern Macedonia and Thrace was reduced from 6,78% to 4,55% of the country average, while per capita GDP was reduced from 88,6% to 67%. This is so, despite the fact that, between 1982 and 1994, development in many regions of northern Greece was encouraged by a number of 'development laws', which included special subsidies and privileges for private enterprises operating there. This support implied state participation up to 65%-80% of total investments (KATHIMERINI, 2011).

Moreover, some writers point out that short periods of convergence appear to be temporary and to be followed by even stronger divergence from Attica (see for example Michailidis, 2009). As Figures 1 & 2 of this paper reveal, regional disparities seem to follow their own dynamic showing remarkable persistence overtime[12]. It should of course be emphasized that average regional disparities tend to conceal the substantial increase in the standard of living of many peripheral areas, as a result of farm subsidies granted within the framework of the Common Agricultural Policy (CAP), following Greece's accession to the EC in 1981, or of other aids or incentives given to these areas. In consequence, consumption patterns throughout the country more or less converged with those in metropolitan centres and the traditional 'rural-urban' dichotomy, which was prevalent until about the '70s, ceased (see in footnote 7 the high share of services in gross value added of all regions).

4. The role of regional policy

Greek regional policy in the post-war period has been considered at best inadequate in limiting the gradual establishment of the polar development pattern, expressed in the strengthening of selected polar points in space, already enjoying significant agglomeration economies due to the concentration of people and economic activity there. In the 1980s - a decade marked by Greek accession to the EC and the beginning of a prolonged recession which was to last until about the mid-90s - there was a shift in emphasis towards the model of localized endogenous development, following changes in the European regional

[12] This is also confirmed in the empirical analysis of the paper by Caraveli & Tsionas (2011).

policy model, aiming at the dispersion of responsibility to geographically lower administrative levels[13] (Christofakis, 2001: 230). This was reflected in the Integrated Mediterranean programmes - IMP (1986-1992) - forerunner of the Community Support Frameworks (CSF) - the initiation of which coincided with the first 'stabilization programme' adopted by the Greek government in 1986[14].

While the IMP marked the shift of regional policy towards multi-annual programmes adapted to specific regional characteristics, the 1st CSF (1989-93) aimed at the reduction of regional inequalities by boosting small & medium enterprises (mainly in the area of tourism) and improving the regional transport network in order to upgrade rural regions; the 2nd CSF (1994-99) emphasized the improvement of large-scale infrastructure works aiming at encouraging the country's linkages with the international economy rather than encouraging development at the regional level; the 3rd CSF (2000-06) was marked by the country's accession to the European Economic and Monetary Union in 2001 and focused in boosting employment at the regional level, through investments in human capital and information technology which would raise productivity & competitiveness. Given the shift in emphasis of the European Common Agricultural Policy (CAP) towards rural development, after the adoption of the Rural Development Regulation in the 1999 Berlin summit, this programme initiated special development criteria for

[13] The dispersion would be possible by adopting the principles of 'subsidiarity' and 'partnership' of the Structural Funds.

[14] According to many analysts, the '80s were marked by the entrance of the Greek economy to the 'neo-liberal' era – see previous section - in which the term regional cohesion is increasingly substituted by the term 'competitiveness' (see Michailidis, 2009).

mountainous and island regions (Caraveli, 2006)[15]. However, it also focused on the improvement of the relative position of the metropolitan regions, its ultimate aim being the strengthening of 'regional external linkages' (Christofakis, 2001; Kostopoulou, 2009).

Despite the greater emphasis towards promoting development at the regional/local level in both the 1st and the 3rd programmes, results concerning convergence and socioeconomic cohesion on the intra-national level and between Greek and EU regions have not been overall satisfactory, given that 8 out of the 13 regions still have a GDP below 75% of the EU average. Some successful cases have certainly been recorded, reflected in the satisfactory economic performance of a number of (urban and rural) peripheral areas, but this does not change the overall picture. Continuous concentration of resources to large-scale projects (mainly in transport infrastructure) in specific regions has been considered an important reason for this failure, in combination with the usual 'systemic' factors, traditionally inhibiting the implementation of CSFs. Such factors are: the centralized institutional framework combined with the over-dispersion of works, bureaucratic inefficiencies leading to a low 'absorption rate', mismanagement or misuse of state funds due to the corrupt and clientelist relationship between state and society (Andreou and Papadakis, 2012: 103).

In an increasingly globalized environment, pressures for further reduction of the traditional production model and the transition towards new dynamic and innovatory sectors will become stronger and failure to adjust at the regional level will have detrimental effects for regional

[15] These are the 'integrated development programmes', designed to be applied in selected zones of the country-side, aiming at boosting rural development.

development as well as for the overall macroeconomic imbalances. The current financial and economic crisis will reflect the structural characteristics of individual regions as well as their ‘resilience’[16], revealing the inability of regions with a high share in traditional sectors of low competitive advantage (i.e. sectors based on low cost, low value-added, with low level of labour force qualifications) to attract investments and create/maintain job opportunities. In the course of EU economic integration, industries subject to economies of scale tend to concentrate in old industrial centres of Europe (see Brulhart, 2001). This means that regional growth and development in the periphery of Europe should be based on investing in R&D and new technologies to compete in products and services with high technology content. For many Greek regions this might imply promoting the ‘green economy’, encouraging ‘quality’ farm production, or innovative tertiary activities in rural areas (i.e. rural or alternative tourism), depending on the existing structure and orientation of the local economy (Caraveli, 2006). These have been regarded as strategic options which would compensate for losses in traditional industrial production, construction, (mass) tourism & transport where a high dependence in these sectors exists (Kotios and

[16] The term ‘regional resilience’, implying regional adaptation and recovery, is increasingly used in economic geography and evolutionary economics, due to its relevance to regions’ increasing exposure to globalization processes and international economic (but also environmental) crises. An important question within this framework is why some regions recover easily, while some others fail to do so. Globalization and trade liberalization may wipe out entire regional industries as a result of a new international and regional division of labour (Christofersen et al., 2010; Hassnik, 2010; Pike et al., 2010). Thus, the success of a region depends on current and past economic growth, employment rates, standards of living and quality of life. Whether this success will be maintained depends on the region’s resilience to economic recessions, globalization, etc. In turn, resilience depends on a number of factors, e.g. an innovative milieu leading to ‘learning’ or ‘knowledge activities’ in the region (e.g. a successful university with strong links with the regional economy), a skilled and innovative workforce, a modern productive infrastructure, a supportive financial system and a diversified economy not over-reliant on a single industry, a supportive regional government well networked nationally and internationally.

Tselios, 2009: 495; Commission of the EC, 2009; European Commission, 2010; Neffke et al, 2009).

The 2007-13 CSF, designed in the lines of the Lisbon Agenda, gives greater emphasis in territorial cohesion, which in the Treaty was added to the twin goals of economic and social cohesion (European Commission, 2007; 2011). This implied greater emphasis in the regional and local dimension of development, scheduled to be implemented through regional and local entrepreneurial programmes (Christofakis, 2001: 228-229). Within this context rural development policy - an increasingly important component of European agricultural policy - and rural-urban linkages assume increased significance. In addition, the improvement of regional competitiveness was to be achieved once more by boosting investment in research and innovation and the development of knowledge-based sectors at the regional level [17](European Commission, 2007; 2011).

The country is currently facing a new reality in which, 'accidental' or 'external' factors are added to the traditional 'systemic' ones, seriously obstructing the implementation of the current programme, the National Strategic Reference Framework – ESPA (Andreou and Papadakis, 2012). This plan could be the key for some reversal in regional imbalances and, through this, for the country's escape from the socio-economic impasse in which it is trapped. The basic new factor is of course the acute fiscal crisis and the 'austerity' measures adopted, which have led to cuts in

[17] Thus, although structural resources destined to poorer regions will have increased from 56% of total inflows from the structural funds in 1989 to 85% by the end of the current period, this increase mainly concerns regions which will raise investment in research and innovation (European Commission, 2007).

regional public expenditure and investment. An additional factor is the country's new administrative plan – Kallicrates - which involves a substantial reduction in the number of municipalities and a transfer of tasks to the new regional divisions, whose impact is still unclear (ibid: 102). In view of the above, the possibility of implementing the current programme, as well as its efficiency and success in boosting regional growth and reducing disparities remains unclear.

5. Concluding remarks

Regional imbalances in Greece reveal the permanent structural imbalances in the country's production model and the inefficiencies of macro-economic and regional policies followed in the past decades. Uneven geographical development, largely reflected in the core (Attica) - periphery (rest of regions) pattern, is based neither on the concentration of a strong, competitive, industrial sector nor of a strong 'new economy' sector (comprising a competitive, by international standards, financial sector and significant 'knowledge-based' activities). It is rather the result of urbanization economies, a large part of which stem from the concentration of inefficient public sector services[18], in the capital region.

Increasing economic integration at the regional (EU) or global level may have contributed to the sharpening of regional disparities by strengthening the more dynamic regions of the country, but at the same time, it can determine substantially growth prospects at the regional level. For many Greek regions, this might imply promoting alternative

[18] It should be noted that in Greece, the public sector corresponds to 40% of GDP and 25% of total employment, while more than 80% of public expenditure goes toward wages, salaries and pensions of these public sector workers (Bank of Greece, personal communication).

development paths, i.e. sectors (at the primary, secondary or tertiary level) based on innovation and 'knowledge' (including 'green economy' methods, farm production with 'designation of origin', 'quality' tourist services etc.), adapting to regional/local comparative advantages. Such paths would possibly compensate for losses in traditional low-competitiveness activities. Both regional policy, currently implemented through the fourth CSF, and rural development policy of the CAP place particular emphasis to boosting regional resilience through these paths which can be the key for promoting social and regional cohesion at the national and EU levels. The current debt crisis and the fiscal measures which it brought about have obviously put strain on regional economies most heavily depended on public sector employment and investment, as some researchers have correctly pointed out. Already in the Europe 2020 Strategy underlying the fifth Cohesion Report attention was brought to the fact that budget constraints would increasingly be a problem and that "closer links should be established between cohesion policy and macroeconomic reforms" (European Commission, 2011). The 2014-2020 Multiannual Financial Framework (MFF) emphasizes further the necessity "to bring deficit and debt into a more sustainable path…" (Ibid). This approach reflects a gradual shift in emphasis from cohesion policies towards those aimed at strengthening regional and national competitiveness, which is likely to put further strain on regional cohesion in peripheral MS. On the other hand, raising regional competitiveness on the above mentioned strategic lines (always acknowledging the risks that overreliance on exports can imply) could be the opportunity for the periphery's revitalization promoting at the same time regional cohesion. For the current period, this requires the immediate implementation of the Regional Plan (with the smallest possible national participation). This in turn presumes political stability and insurance of Greece’s European orientation and participation in the Eurozone.

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