



UNIVERSITY
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FACULTY OF SOCIAL,
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Conference Proceedings

CRISIS AND THE SOCIAL SCIENCES: NEW CHALLENGES AND PERSPECTIVES



University Campus, Rethymno

10-12 June 2016

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Υπό την αιγίδα της
ΠΕΡΙΦΕΡΕΙΑΚΗΣ ΕΝΟΤΗΤΑΣ
ΡΕΘΥΜΝΟΥ



Crisis and the Social Sciences:
New Challenges and Perspectives

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Cover design/Poster/ Layout: Konstantina Metaxa

Technical coverage: Nikos Kapelonis

June 2017

Electronic Conference Proceedings

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1st International Conference in Contemporary Social Sciences
“Crisis and the Social Sciences: New Challenges and Perspectives”
Rethymno, 10-12 June 2016

**Interpreting the Regional Problem or Interpreting the crisis? A Critical Economic
Geography perspective on uneven regional development in Greece**

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Abstract:

The burst of economic crisis in Greece has posed severe challenges on the continuation of an established mode of economic and regional development, relating to both the domestic system, and the European Union as a whole. In this critical conjuncture, the political economy approach to Economic Geography provides alternative analytical tools and notions for the explanation of the structure and causes of insisting geographical inequalities and injustices that have been formed in the context of the ongoing neoliberal globalization and financialization of capitalism, and that express themselves across different geographical scales. The purpose of the paper is to elaborate on the theoretical foundations and epistemological assumptions of the political economic Paradigm in Economic Geography and to present an analytical framework that has been used to explore the structural features, dynamics and outcomes of a historically and path-dependent mode of spatial development in Greece as a member-state of the EU. The main argument is that an alternative reading of the “story so far” of the Greek regional problem reveals unexpected side effects of rapid growth and of major political decisions to open up domestic economy to globalization, as well as alternative causes of the Greek crisis in a European context. Among various imprints in economic geography and norms of unevenness between regions, in the period 1993-2010, we highlight especially the lost momentum of Athens and of its hinterland and explore the deepening of spatial injustices that finally undermines a specific mode of economic development and leads to crisis.

Key words: Regional problem, economic crisis, Greece, European integration, Critical Economic Geography.

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Interpreting the regional problem or interpreting the crisis?

A Critical Economic Geography perspective on uneven regional development in Greece

1. Introduction

During the last decades, the regional problem in Greece has been a popular subject of discussion in academic and scientific circles, due mainly to the country's participation in the EU that has necessitated more intensive investigations of geographical unevenness in the context of the European integration, investigations that could inform effective planning policies and evaluation techniques. Since the early 1990's, with the signing of the Treaty for the EU and at least up to the burst of the economic crisis in Europe (2008-09), most researchers agree that regional economic inequalities in Greece have been decreasing or at least have not been increasing (e.g. Lolos, 2009, Petrakos and Psycharis, 2004, Petrakos and Rodriguez Pose, 2003, Cappelen et al., 2003) and almost all studies perceive disparities in terms of differences in basic macroeconomic indices and development in terms of nominal economic convergence. Usually, the positive fact of the elimination of regional inequalities is perceived as a result of fast growth and general economic upturn and as a positive effect of co-funded policies for regional development and economic cohesion in the context of the European Integration.

Economic crisis broke in Greece as a fiscal and debt crisis, as well as an aftereffect of a global financial crisis, in 2008-2009. In the few years that followed, continuing economic recession, social turmoil, political instability, and deteriorating fiscal problems, have proved that this crisis reflects a severe systemic imbalance of multiple endogenous and exogenous

processes, associated by a complex set of social, political and economic implications (Vlachou et al., 2011). Especially, the structure of the Eurozone, interregional distribution of economic growth and trade surpluses on the grounds of the EU, structural characteristics of the domestic markets, ineffectiveness of domestic economic policies, trade relations and institutional inertia of Greek governments, are some of the most common explanations in an ongoing debate (e.g. also Pelagidis and Mitsopoulos M. 2011, Kalyvas et al. 2012, Vatikiotis et al. 2010, Argitis 2012).

In general, while all financial and political implications of the Greek crisis in the context of the European one, have been considerably discussed, there has been little concern on the geographical dimensions of the problem, with a few exceptions (see e.g. Hatzimichalis, 2012, 2014). In this paper, we interpret the regional problem of Greece in a way that takes into account political economy and emphasizes the geographical and historical transformations of Greek capitalism interrupted by periods of crisis. Critical Economic Geography provides the theoretical foundations of empirical work and the building blocks for the construction of a critical analytical framework of the regional problem.

Interpretations of uneven development in the domestic spatial-economic system, in the context of European and global integration are based on empirical evidence of a period characterized by political and economic transformations in Greece, namely 1993-2010. A main argument is that the Critical Paradigm in Economic Geography reveals alternative aspects of the regional problem, hidden injustices and political power relations in economic space, which explain much of the domestic economic instability, upturn and downturn, over the last decades. In general, uneven spatial development has been found to offer the necessary impetus for Greek economy and policy in the transition to globalization, while the momentum of the

prevalent “growth region of Attica”, appears to explain a fundamental spatial injustice that has posed limits to the same “economic miracle” that it has supported.

In the above context, our argument is structured as follows. First, we present the epistemological foundations of a critical –political economy perspective in Economic Geography, and then, we propose an analytical scheme based on its theoretical and methodological principles. We follow a historical-geographical holistic approach in order to understand domestic structures and economic development processes in Greece, and we reach some final interpretations of regional unevenness that support the view that the regional problem has been regulating economic adjustment, development and regression of Greece in the European context.

2. The Critical Paradigm in Economic Geography

2.1. Space as a social construction

As it is known, there are many different ways of approaching and understanding spatial phenomena and geographical unevenness. First of all, classical and neoclassical Economics have for long ignored the importance of space and place in economic processes, on the basis of the premise that economic activity occurs on a homogenous and undifferentiated land, as it is often said “on the head of a pin” or, as W. Isard (1956) the founder of Regional Science calls it, “in a wonderland of no dimensions”. This is also the result of the basic neoclassical assumption asserting that the operation of the free market tends to lead to interregional convergence and spatial equilibrium at least in the long term. It was not until the 19th century and the appearance of the German School of location theory and Regional Science in the 1950s that questions

regarding the “where” of different activities and the regional dimensions of socioeconomic problems were first posed and answered².

On the contrary, other social sciences, along with Geography, have been interested in the notion of space and place from a very early stage and have been engaging in the study of uneven development earlier than mainstream Economics (Leontidou, 2009). Sociology, Anthropology and even Architecture have been important areas of a critical insight on the role of space and spatiality in social and cultural change (e.g. Foucault, 1967, Harvey, 1989, Soja, 1989/1996, Massey, 2008).

The “spatial turn” of Social Sciences can be conceptualized as an intellectual movement that places emphasis on place and space on the basis of an interdisciplinary perspective (Warf and Arias, 2009), while it is also evident in Economics, during the 1990’s, with the rise of Geographical Economics initiated by the work of the Nobel prize winner Paul Krugman (1991). In the case of Economics, nevertheless, space is introduced as a variable that differentiates economic activity in a one-dimension relation. In the case of Sociology and Humanities, space and place are approached as social constructs, in mutual interdependence and interrelation to other structures and processes (economic, political, cultural, institutional etc).

The argument about the spatial being inherently social and vice versa, builds on the fundamental concept of “socio-spatial dialectics” introduced by Ed. Soja (1989), which in turn has been based upon Lefebvre’s work on “the production of space” (Lefebvre, 1974). The same was developed further by D. Massey, who has asserted that not only the spatial is socially constructed, but also the social relations are a product of spatial restructuring and

² For the basics in Economic Geography see Lambrianidis (2001), Clark et al. (2000) Sheppard and Barnes (2000). Also, for a review on basic texts in Human Geography, see Hubbard et al. (2008).

transformations (Massey and Allen, 1984, Massey et al. 1999, Massey, 1984, 2005). In brief, space is a product of interrelations, interactions and correlations between the global and the local sphere of social and economic activity, and as such, it is always under formation and transformation in different scales of organization of unevenness, of politics and of social relations. Notions like “spatiality” and “locality” best describe the basic elements in an alternative perspective, emphasizing the spatio-temporal construction of social processes. In that context (Massey, 2005), space can be understood in its radical multiplicity, a thesis that implies countless places of time-space coexistence (here and now) as well as countless trajectories for development, that foster alternative imaginations and narration discourses on globalization.

2.2. On the epistemology of Critical Economic Geography (CEG)

Critical Economic Geography (CEG) stems from a creative interdisciplinary synthesis between Economic Geography, critical social theory and Neo-Marxist Political Economy. During its long period of evolution, Economic Geography has experienced a number of epistemological turns or Paradigm shifts: from 19th century environmental determinism, to possibilism and regional geography in the first half of the 20th century, to quantitative revolution, positivism and spatial analysis of the 1950s and 1960s, to the Marxian or radical Political Economy approach in the 1970s and 1980s and the post-modern, cultural and institutional turn since the mid 1980s and 1990s (see indicatively Peet & Thrift, 1989, Barnes, 1997, 2000, Scott, 2000, Kourliouros 2007).

The Marxist or Radical Political Economy perspective in Economic Geography focuses on the exploration of aspects of the injustices and contradictions of modern capitalism, and

proposes an alternative approach to the contemporary problems of the political economy of neoliberal globalization (Swyngedouw, 2005). Often, the legacy of the Regulation School³ is revived, restoring the interest on the social, institutional and economic forms that maintain successful capital accumulation and contain the contradictions and instabilities of the capitalist mode of production.

In this context, Economic Geography examines distributions and patterns of economic activity in geographical space while the critical Paradigm within it is especially concerned with the processes, dynamics and interdependencies between economic and geographical factors, in a perception of space as being a dynamic and dialectic social construction (Kourliouros, 2009). Critique is founded again on Soja's and Massey's perception of space and also on historical-geographical materialism introduced by Harvey (1989). In other words, a Critical perspective in Economic Geography is interested not only in the aftereffects of economic activity on space, but also in the implications of spatial phenomena and relations on economic activity.

To put it otherwise, Critical Economic Geography is the Paradigm within Economic Geography that focuses on the investigation, interpretation and explanation of the complex socio-economic restructuring of late capitalism and on the transforming and transformative spatialities of systemic change.

As rooted in a Marxist-Neomaxist Political Economy approach, Critical Economic Geography focuses particularly on the interaction between territories, production structures, as well as organization of labour markets in the industrial and post-industrial era in globalization (Walker, 2000, Scott and Storper, 1986). In doing so CEG adopts methodologies that reject positivism and formalistic modeling of the mainstream quantitative spatial analysis. Nevertheless, several methodological issues have divided CEG scholars from the start, up to this

³ For an overview of Regulation Theory, see Boyer and Saillard (2002).

day. In the 1970's, there has been a fierce dispute over the need to overcome structuralism and economism advocated by the "grand narrative" of Marxism, while in the 1990's the discussion concerned especially the limits and prospects, advantages and disadvantages, of a turn towards empirical studies (locality studies) that stressed the significance of place and human agency in overall geographical change.

It must be stressed from the outset that the CEG is not related to the New Economic Geography or Geographical Economics. As Perrons (2001) explains one could easily distinguish two separate Paradigms in new approaches to Economic Geography. New Economic Geography 1 (NEG 1) based mostly on Krugman's geographical work and the work of his followers, focuses on building and using complicated quantitative methods and sophisticated models, while NEG 2 emphasizes more the interpretation and understanding of causal relations and outcomes of socio-spatial interactions. The difference between the two lies not only in the applied methods, but also in the initial assumptions and analytical concepts as well as in their epistemological foundations. The first comes as a revolution in mainstream-orthodox economic analysis, by reinventing location analysis and including post-keynsian trade theories, while the second, originates from Human Geography, and has been influenced by Radical and Critical Geography.

A full historical overview of the epistemological evolution of CEG has been presented so far in relevant literature (see e.g. Kourliouros, 2009, Bangchi-Sen and Lawton Smith, 2006). In brief, CEG is founded on Radical-Marxist views in Economic Geography that emerged around the 1970's-80's (an era of deindustrialization, crisis of Fordist regime of accumulation and capitalist restructuring). Since the early 1990's, however, CEG has adopted various post-structural and postmodern critical approaches to Political Economy. In doing so, it has used in an

interdisciplinary way various eclectic, post-Marxist currents of thought, elements of Critical Theory (Frankfurt School), cultural studies, Institutional Economics and Economic Sociology, while, at the methodological level, it has adopted Bachelard's critical realism. The latter has a direct impact on the way geographical research is carried out, in that it shifts emphasis from extensive research (based on macro-data and statistical regularities) to intensive research (based on qualitative methods) and trying to interpret the deeper causal relations that underlie socio-spatial processes in various localities. Based on an interdisciplinary way of thinking, CEG includes not only economic but also non-economic, cultural, political and institutional factors in its research agenda, in trying to interpret the unique experience of place and human agency in everyday regularities and irregularities, cultural identity diversification or even political relations and institutional advantages in specific localities. From this aspect, emphasis placed by the CEG on unique localities and intensive research opposes and challenges the grand narrative of the Marxist/Neomarxist approaches.

2.3. Theories on uneven regional and geographical development

The overall theoretical framework of the uneven geography of capitalist development is set by D. Harvey (see Harvey 2001, 2005, 2006a, 2006b, 2010). More precisely, Harvey focuses his analyses upon the geographical implications of capitalist accumulation by introducing a “geographical” reading of Marx's Capital, or, to put it in other words, by introducing a “geographical-historical materialism”. According to Harvey (2006a), uneven geographical development explains much of the inherent contradictions and injustices of capitalism as the world's dominant economic system. Geographical restructuring is a vital precondition for the circulation of capital, the continuation of accumulation and the reproduction of capitalism as a

whole. More precisely, agglomeration and dispersion of capital and production in different areas happens as the capital is in a constant search for a “spatial fix” in order to counter over-accumulation crises, contain class struggle and extract more surplus value. In the course of capital circulation, there are two alternatives both entailing a geographical option. In the periods of economic recession, over-accumulation and general instability, either capital relocates to other more profitable areas, or it reorganizes production, work and distribution in its existing location, by introducing new process and product technologies or by intensifying the exploitation of labor. Under this view, capital is not only involved in a continuous quest for new markets, technological means or organizational techniques, but also in a continuous struggle to find the more profitable locations.

Another significant contribution to the literature of uneven regional development is D. Massey's work. During the 1980's Massey critically surveys the restructuring of production and offers a new perspective on the socio-economic complexities of the transition from one mode of accumulation to another in a specific time-space context, that of the Great Britain capitalism after 1960. The original contribution of Massey's “Spatial Divisions of Labour” (Massey, 1995) is twofold: firstly it explores the geographical dialectics between social and production structures that produce changing forms of the regional problem, and secondly it combines into one coherent analytical framework two separate, until then, discussions: one concerning regional development and social structure, and another one concerning industrial geography and location theory. Massey asserts that the economic geography of a region or a locality in a specific historical period is the complex outcome of successive “layers of investment” that produce a concrete spatial division of labour which defines the role this region play in the wider (national and international) spatial divisions of labour. In that context “spatial

divisions of labor” describe the settling at a specific time, of a historical process of consecutive restructurings of production and social relations which result in specific forms of regional unevenness, seen not only as divergence in level of development, but also as difference in the developmental path of the particular region.

In Massey’s work, socio-economic transformation and industrial change have also an effect in other areas and different spatial scales (in the domestic system of a country, or third countries) as domestic and global structures are always interrelated. Under this point of view, the local, the regional, the national and the global, are not only subject to social reformations, but also, reflect variations in political influence and power relations (a thesis that has been enhanced, later on, e.g. Massey, 2005, 2007). “Spatial politics” arise thus as a radical new concept (see also, Featherstone and Painter, 2013) in late 2000’s and early 2010’s. Given that places hold responsibilities and exert power to other places, the regional problem can also be seen as a political problem in space, a problem that is subject to policy intervention but also to spatial dynamics and does not merely reflect absolute inadequacy or excellence of a region or place.

R. Hudson (2005a, 2005b) proposes a theoretical scheme that elaborates on the geography of production and its relevance to the shaping of the map of uneven development in capitalism. Hudson focuses on the interrelation between geography and production and recognizes the existence of multiple realms of spaces of economic activity, embedded in everyday cultural and social life. Marxist theory and socio-spatial dialectics set again the starting point for the abstraction of argument, while the uniqueness of place and territory are also important. In this approach, one can recognize some influence from Institutional and

Evolutionary Economics, such as the general idea of “path dependency” in the social construction and a combined interest in agency and structure.

In his concept “Producing Places”, place obtains a double meaning. Hudson refers on the one hand to the place where production occurs and on the other, to the place that is transformed under the restructurings of production as capital meets labor and real life in specific localities. In this theorization, there is a place for humans that live and work, do politics and react, while they have a specific cultural identity, as well as for the understanding of the institutional regulations. To explain a specific social formation and the behavior of social actors, Hudson focuses particularly on four axes: a) the role of governance and institutional regulation b) social relations between classes and inside classes c) formation and reformation of place and landscape especially, against the movements of production d) establishment of production and its relation to the natural environment.

3. Regional development as a problem of Political Economy: A proposed conceptual framework

In the case of Greece (1993-2010), understanding of uneven regional development is based on the following premises:

First, economic transformation is a political and geographical phenomenon. Economic transformation is perceived under the combined effect of internal - domestic procedures and exogenous pressures, as it is described in a circle of interdependence between the nation-state and global scales. As it is presented in Figure 1, State functions as the top institution responsible for the wellbeing and structural adjustment of the domestic capitalist formation in the course of a transition to globalization. This is a precondition for the maintenance of its own

political legitimacy. Especially in a crucial time period for the country, after the signing of the Treaty for the EU, and at a stage of full economic – monetary integration, “modernization” serves as the platform discourse that affects all areas of public development policy, urging for financial stability, erosion of Social state and of Keynesian-type state regulation, liberalization of labour markets etc (e.g. Stathakis, 2007). The ultimate strategy is nominal convergence to the rest of the European partners, control of fiscal deficits and public debt, acceleration of growth and harmonization of economic policies in the context of EMU. A dual factor is especially considered as possible threat to systemic political-economic adjustment and that is social and spatial injustices. Social and regional cohesion are necessary conditions in other words, for the continuance of systemic transformation and for the avoidance of crisis.

Second, mobility of production factors through industries and spaces form the map of development. Production relations are conceived here as first, the economic relations between the two mobile factors of production, capital (financial, technological) and labor, and second, as the social relations between the social classes of capital and labor. Both types of relations are regulated via policies and institutional means, implemented and planned at distinct scales of governance (Figure 2). Movement of capital or labor between industries and economic activities, or between places and regions, can be perceived as having the following implications: On the one hand, it produces clear imprints in space that are visualized in various forms, such as, macroeconomic patterns of distribution of various aggregates (e.g. income, employment, capital formation, rates of growth) or landscapes of development or dereliction in different areas (cities, rural area, less developed areas etc). On the other hand, it produces unexpected effects and influences at the overall economic and political structure, as it

stimulates behaviors and reactions of different social agents, located in different places and spatial scales.

Third, reproduction of the system is attained through balanced relations between actors of regional restructuring. We identify two spaces of political-economic activity, a first one hosts the relations between capital and labor, and the relations formed within each class, and a second one hosts the relations between geographical-political formations, such as regions and European Union. The first one can be described as the Economic Space, while the second as the Territorial Space. Between the two, the nation-state acts as the enabling intermediary for the continuation of the mode of development (i.e. capital accumulation and economic growth) and the harmonious balance of socio-economic interests (i.e. reproduction of capitalist social relations). At the time of a crisis, however, failure of the state regulation is obvious and the implications can be noticeable in one space or the other, while they can be transferred from one space to the other.

Four, the region is perceived as an open and flexible formation and the territory of a nation-state is fundamentally perceived as heterogeneous and discontinuous. The question about “what is a region” is not new and can be found in several studies in Critical Geography (e.g. Allen et al., 2001), following the basic hypothesis about space being a relational social construction, already explained. In that context, a region presents unique institutional, production and social characteristics and borders that change in time and space, and accordingly a system of regions, within a country or a regional union (like the EU), forms also a transformative and changing whole.

In addition, a place can be a catalyst for growth or recession and induce economic effects outside its own local sphere. Places and regions have an impact on the overall systemic

transformation by exerting power, concentrating capabilities or radiating inefficiencies that generate development or regression, growth or recession to other areas and to other spatial scales. The dynamics of a locality, in the context of a certain mode of development or mode of regulation is not known ex-ante, and it is not always under the control of development policies. Thus, a “development story” of a place or even narrations and political discourses on the development at a specific locality, such as Athens and its metropolin region, Attica, can be supportive to an overall national plan for economic or regional development or even act against it.

Lastly, answers to the regional problem can be searched in multiple realms. It must be already evident that the regional problem presents political, social and financial dimensions and takes many forms, according to different criteria. Thus it becomes a system of problems of distribution, allocation, interdependence and heterogeneity and disunity. In our point of view, all of these forms can be viewed and investigated in parallel, under a political economic perspective that aims at interpreting and explaining the causes and consequences of the regional problem. Inequality, distribution and location patterns are all aspects of the same spatial dynamics in times of development or crisis. It is obvious that plain statistics or econometric or macroeconomic modelling, are not suitable for capturing the above, hence analysis needs to turn to a variety of empirical data (statistics, legal texts and official regulations, policy documents, publications on the press, interviews with experts, local studies) and proceed on the basis of a synthesis of all different sources.

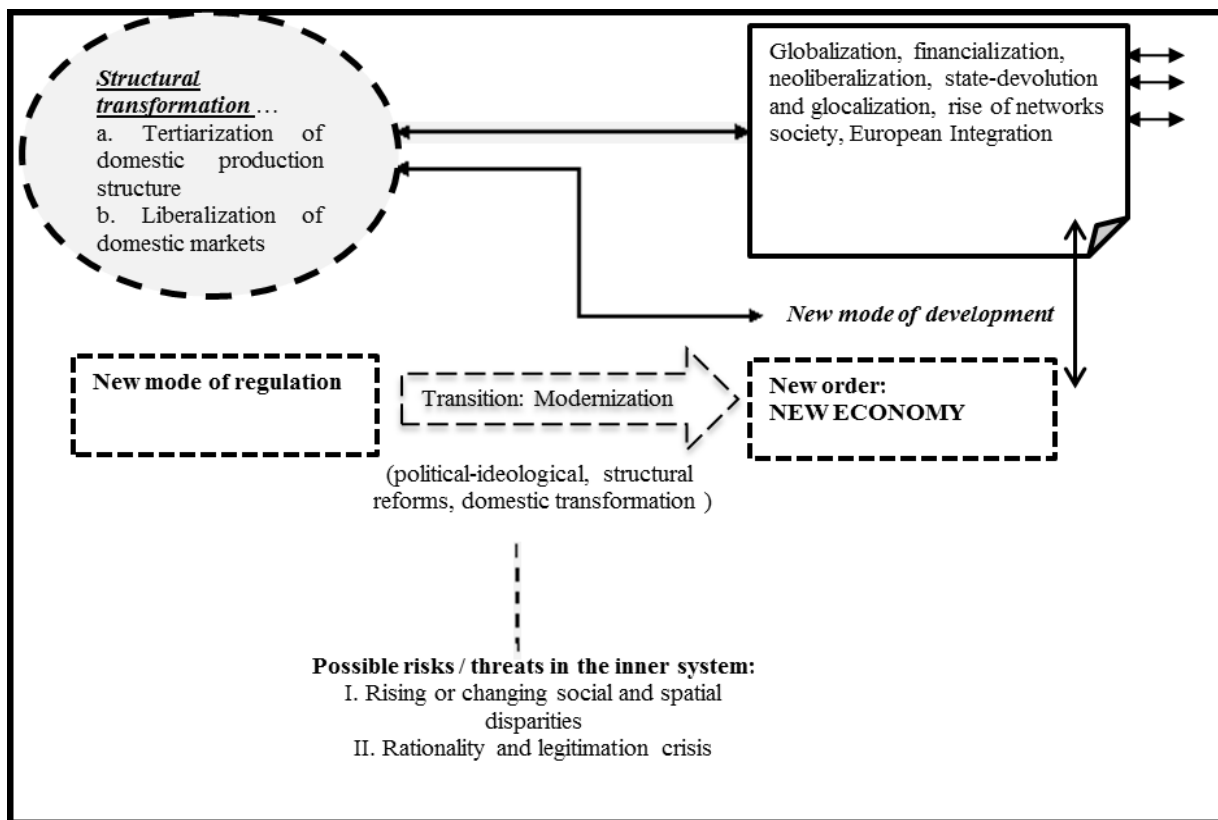


Figure 1. Structural transformation and role of government regulation

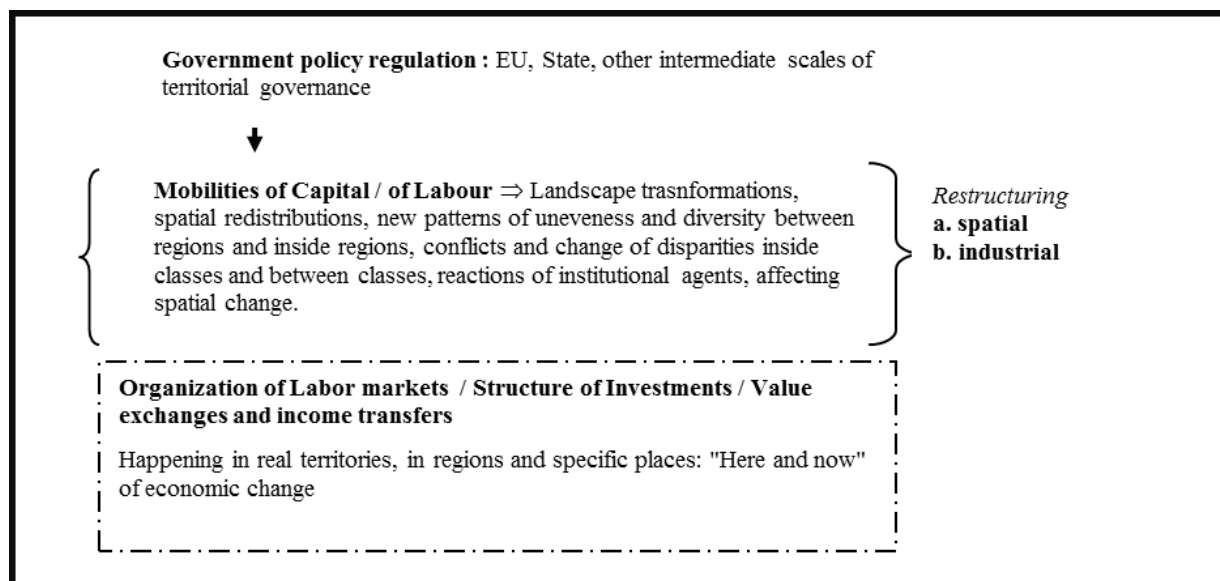


Figure 2. The political economy of uneven regional development

4. Applying the conceptual framework: Uneven regional development in pre-crisis Greece (1993-2010)

Since the early 1990's until almost the end of the 2000's, Greece has been experiencing fast economic growth as well as a significant economic transformation in the context of globalization and European integration with an inherent and inseparable spatial dimension that has been presented and analyzed in detail elsewhere (Drakaki, 2016). What is of special interest here is to explain basic elements of the analytical approach concerning the Greek mode of uneven regional development in a global and EU context. In doing that, we place less emphasis on the statistical findings of our research and more on the construction of a political economic framework of analysis. The latter is based on interrelated analytical axes and finally conveys a narration about the regional being a political challenge as described in Table 1.

For the needs of this study, we focus on the period 1993-2010 for several reasons. First of all, this is an era of an overall economic upturn and of a generalized optimism that politically fosters drastic procedures for structural adjustment. Second, this is a pre-crisis period that contains a coherent "mode of development" (or "regime of accumulation"), in terms of institutional regulation, production restructuring and interregional organization of the socio-economic relations. More precisely, 1993 signifies the starting point for the implementation of the EU Treaty and at the same time for a major political and ideologic shift in Greece. As already mentioned, reelection of the Greek Socialist-Democratic Party of PASOK marks a new paradigm of state and public policy, which is gradually constructed over a paradoxically combined social-democratic and neoliberal agenda of priorities and objectives and visions for urgent adjustment and financial stability towards the EMU. The end of the period comes with the burst of a structural crisis in Greece (2010). A critical moment is especially the signing of

the 1st “Greek Memorandum” in 2010 (by the government of PASOK again) in which European partners and international institutions agree to contribute to the “financial bailout” of Greece, within the Eurozone, provided that national governments implement prescribed structural reforms and strict austerity policies in order to secure viability of debt repayment. This is the point in our view, that it becomes evident that economic recession and severe fiscal imbalance of the late 2000’s have been only the consequences of a structural crisis, with complex economic, political, and social implications.

Table 1. A Critical Economic Geography Narration				
	Axes of Analysis	Focus of empirical study	Argument as in Critical Geography Theory	Horizontal narration
1	STATE POLICY AND POLITICS	public policy, economic policy, state intervention and institutional regulation for development, structural and regional policies, central power and programming at alternative scales of supranational governance, political relations among places, regions and in different scales	Uneven geographical dynamics of European Integration - Devaluation through dispossession	The regional is a political challenge
2	PRODUCTION STRUCTURE	distributions and agglomerations of economic activity, patterns of industrial organization, structural macroeconomic aggregates, capital - labor relations, flows and power relations among capitalist production systems	Social representations of Space	
3	REGIONS AND SPECIFIC GEOGRAPHICAL AREAS	Administrative, historical or geographical regions, geographical areas of specific characteristics, such as cities, rural areas, remote and less favoured areas, “star-regions”, “normal regions”, places of everyday life, alternative spaces of production and of consumption, territories of economic power, areas of allocations of surpluses and public investments	The development story of the two-nations – Athens’ limits to growth	

By all means, the European framework is critical for understanding domestic developments, but also, for understanding the motivations and dynamics of uneven growth inside and outside the nation-state context. The country’s participation in the European Union since 1981, affected all sectors and means of public policy, while they also generated broad institutional rearrangements and provoked a total rescaling of all aspects of socioeconomic development (Maravegias, 2008, Maravegias and Sakellaropoulos, 2006). Especially, after the

harmonization of Greek regional policy to the EU regulatory framework, domestic regional inequalities became a part of a wider system of unevenness at the scale of the European territory. Similarly, the domestic regional problem became almost automatically, a subject of the EU regional policy. This has two immediate implications. First, regional policy in Greece is practically implemented with the generous and large scale assistance of the European Structural Funds and it is planned, according to co-agreed objectives and regulatory means, between European and member state institutions (Papadaskalopoulos & Christofakis 2016). Second, regional policy in Greece becomes for the first time a coherent policy that is practiced through sophisticated programming techniques and unprecedentedly increased budgetary capabilities (Papadaskalopoulos and Christofakis, 2005, Lykos, 2006).

Economic transformation in the same period can be summarized in a vast and growing economy of services, of large enterprise capital and of waged-employment, that is motivated through the expansion of credit, increasing public and private lending, rising consumption and augmenting investments in both ways (towards the inside and the outside). The same is fulfilled thanks to the adoption of the common currency in 2001. The euro favors free capital mobility, the growth of a financial sector and the import of large corporate capital in a series of services such as banking, retailing, intermediate (b2b) business activities, transport, tourism etc. At this stage, agricultural production becomes almost marginal and manufacturing experiences stagnation. On the contrary, the construction industry rises fast (at least up to 2008) and breeds -along with services- the Greek new "economic miracle" that is best reflected in accelerating rates of GDP growth, at least until the Olympic Games in 2004 and accelerating convergence in terms of GDP at least up to 2009 (Table 2). All this time, large scale development programs (CSFs/NSRFs) and in addition, the Olympic Games of "Athens 2004",

have been (along with the introduction of the euro and the liberalization of financial markets), at the center of an unprecedented significant impetus for primitive accumulation in many industries, which nevertheless tended to agglomerate mostly in Athens, and in a lesser degree in other large cities of central-continental Greece.

Economic and development policy at this time, emphasizes the need of the Greek economy to converge to the criteria of the Stability and Growth Pact, in the context of the monetary and economic integration and neglects other aspects that address structural problems in production and/or social cohesion. The latter are considered as efficiently managed through the community support and the financial help of the EU structural funds (Stasinopoulos, 2011, Argitis, 2011, Kazakos, 2010). Nevertheless, the “convergence strategy” appears to be inefficient and unsuccessful in the mid-term, as proved by the following (Drakaki, 2016): a) Unemployment remains at high levels and decreases only temporarily, on the occasion of the organization of the Olympic Games and thanks to large-scale projects, recruitments and constructions that have been co-financed by the Community Support Frameworks. b) Deficits in the external trade balance are increasing, as growth rates accelerate and despite (or due to) the fact that international-intracommunity trade expands. c) Greece converges to the European average in terms of GDP p.c. in time, but experiences no improvement in development status, comparatively to other economies in the EU, even though it is a top beneficiary of structural assistance. d) Transition to the Knowledge Economy by introducing new process and product innovations and knowledge inputs in production, remains a distant target for Greece. The new mode of development in general, appears to be addressing more short-term and urgent needs and less long-term deficiencies and problems of the domestic economy and production.

In explaining the above, we have to take into account the role of the State in two particular ways. On the one hand, fragmentary and risky political decisions underpin a strategy of globalization based on “national public events”, such as the Olympic Games, of ambiguous gains and rewards. On the other hand, three lines of economic strategy are chosen, which all together contribute to the erosion of the traditional form of an activist –Keynesian regulatory state. Governmental policy fosters the participation of the private sector in the economy, uses almost exclusively community support to promote structural change and economic development, and finally, enacts forms of a multi-level and multi-factoral national governance to strengthen democratic pluralism and enable adjustment to the functions and needs of an “internationalized state” (Voulgaris, 2008). In general, the two dominant politico-ideological discourses “modernization” of PASOK (1996-2004) and “mild adjustment” of the center-right liberal party, Nea Dimokratia (2004-2008), express a common focus on a single public policy paradigm, that is based so much on social-democratic as much as in neoliberal principles, and finally indicate a broader political pragmatism and consensus over the needs of the national economy.

Structural change in Greece has a particular spatial impact that is up to a point depicted in statistics⁸. First, tertiary sector dominates all economic aggregates all over the country’s territory. All data on income, employment, investment and entrepreneurship, show an overwhelming and universal prevalence of the sector of services and especially of activities related to retailing, tourism, and transport. Especially, the participation of the sector in new investments rising up to 90% until late 2000’s, along with the fact that the former occupies

⁸ Source: Regional Accounts, Hellenic Statistical Authority.

more than 70% of the total GDP⁹, show that the Greek economy experiences and is still experiencing an era of a mono-sectoral growth.

Second, regional economic disparities do not expand during this period, as most regions also experience growth, thanks to the rise of services and constructions. However it is Athens, Attica and its close periphery (e.g. areas in South Aegean, Sterea Ellada, Peloponnisos) that concentrate industries and activities of higher value added, activities that are technology or knowledge-intensive or express strategic change on the way to a “new Greek economy” (information and telecommunications, banks, shipping). From this point of view, there is a growing “gap” between the center and the rest of the country. Especially, as Central Macedonia, the capital region of the North, experiences rapid deindustrialization and loses steadily investments, jobs and production capacity, the region of Attica becomes the one and absolute “growth pole” of the economy in all basic sectors (except agriculture that is nevertheless also expanding in Attica) and cumulates the most productive resources (human, technological, financial etc.).

Three, the central metropolitan region is the only region that is actually driving growth of the national economic system as a whole, but also, the only one that first, converges to a European average in terms of GDP p.c. at the burst of the crisis (2010) and second, maintains a position over the average of EU regions for all period, until even the first years of crisis (Table 3). Also, it is the only one considerably improving its position in key indicators of socioeconomic development, such as population on the poverty threshold or employment in high tech sectors¹⁰.

⁹ Same source.

¹⁰ For these two findings, Source: EUROSTAT.

Finally, in our original research (Drakaki 2016) we identified a new form of regional problem, disaggregated in a critical typology of development areas, as follows: There is: a) a dominant, internationalized and self-sustained regional economy of cumulative tertiary growth, constructed around Athens. This one contains the region of Attika and its zone of influence and drives capitalist growth of the whole system b) a geographical area containing medium and small-sized Greek cities, dynamic rural areas and prosperous tourism zones, especially insular ones. Those tend to actively support capital accumulation and maintain traditional activities (e.g. agriculture, trade, tourism and transport) c) a less advantageous hinterland consisting of less developed and remote areas, covering the rest of the country's territory. Those are the areas of no clear production specialization, facing economic regression or stagnation and rely comparatively more on the distributive effects of regional policies.

In this context, regional disparities do not faint in Greece as the historical preponderance of the Capital city and its region is maintained and even strengthened. An analysis of the role of development policy proves however that as the state still intervenes in economic and social relations, in various ways (Drakaki and Stathakis, 2014), it holds also a critical role in the promotion of a certain regional development model. More precisely, the promotion of agglomeration economies, the internationalization and “take-off” of the Athenian growth pole, are top priorities, launched via specific strategic decisions and particular development strategies. For example, organization of the Games and entrance to the Euro both benefited and created new prospects for the economy of Athens and Attica (see also OECD report for Athens, OECD, 2004), while the absence of spatial planning for Greece's metropolitan region and inadequacy of land-use control mechanisms in a “laissez faire” rationale, permit impulsive motilities and location of enterprises, facilities and investments,

Table 2. Gross domestic product at current prices per head of population (EU-28=100)												
Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
European Union (28)	100	100	100	100	100	100	100	100	100	100	100	100
European Union-15	121.2	120.7	119.7	119	118	116.6	117.1	116.7	116.3	116.3	116.1	116
Euro area	112.8	111.8	110.8	110.1	109.5	111.4	113.9	112.2	111.8	110.1	110.2	108.9
Euro area-12	116.8	115.7	114.4	113.5	112.6	114.4	117	115.2	114.7	112.8	112.9	111.5
Greece	<u>76.6</u>	<u>79</u>	<u>77.9</u>	<u>80.6</u>	<u>81.3</u>	<u>84.2</u>	<u>87.6</u>	<u>80</u>	<u>71.4</u>	<u>65.2</u>	<u>61.5</u>	<u>59.2</u>
Source: AMECO												

Table 3. Regional gross domestic product (PPS per inhabitant in % of the EU-28 average) by NUTS 2 regions												
geo\time	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
	(rank)											(rank)
Anatoliki Makedonia, Thraki	70 (9)	69	66	64	64	67	67	64	55	53	52	50 (13)
Kentriki Makedonia	75 (7)	77	72	74	73	75	75	68	60	58	58	56 (9)
Dytiki Makedonia	86 (4)	86	83	81	76	72	78	75	70	71	70	66 (4)
Ipeiros	72 (8)	70	66	66	64	64	64	61	55	52	52	51 (12)
Thessalia	76 (6)	76	69	72	69	70	70	62	55	55	56	55 (10)
Ionia Nisia	94 (3)	94	92	92	90	93	89	82	69	67	66	67 (3)
Dytiki Ellada	72 (8)	73	70	73	71	70	69	66	58	56	55	54 (11)
Stereia Ellada	94 (3)	91	88	87	83	84	82	76	68	66	67	61 (6)
Peloponnisos	76 (6)	75	72	74	73	74	74	69	62	60	61	58 (7)
Attiki	<u>120 (1)</u>	<u>125</u>	<u>120</u>	<u>124</u>	<u>122</u>	<u>125</u>	<u>128</u>	<u>118</u>	<u>105</u>	<u>101</u>	<u>100</u>	<u>99 (1)</u>
Voreio Aigaio	72 (8)	72	71	73	73	76	75	68	61	57	58	57 (8)
Notio Aigaio	104 (2)	106	104	104	102	106	101	93	81	78	78	80 (2)
Kriti	85 (5)	87	82	84	80	82	82	74	64	60	63	63 (5)
Source: EUROSTAT												

according to temporal –and in a sense opportunistic- needs (i.e. lacking long term developmental and rational spatial organization perspectives).

Obviously, many factors, in the realms of politics and society define the industrial and economic geography at this specific historical time. Migration and human mobilities, geopolitics and politics in the context of the European Union, movements and restructuring of international capital, globalization of consumption and reorganization of production territorial systems, are only a few. In addition, conflicting interests and cooperation among social groups and within social groups, explain up to a point all economic and social restructuring. Nevertheless, due to objective limitations in this essay, they are to be explained elsewhere.

5. The regional as a political challenge: Aspects of CEG and crisis as catharsis

Since the early 1990s, the state functions have been withdrawing from critical matters of socioeconomic development, via the deregulation of markets, privatizations and structural reforms to strengthen the role of the private sector and attract foreign investments and large corporate capital. Despite that, the state holds an active role that is exercised mainly via policies for regional economic development. That fact reveals a particular paradox relation between state policy and the regions while also proposes an argument explained here, namely that there is an aspect of the regional problem that serves to regulate the problems of the economy.

First of all, regional policy is a product of institutional regulation for economic development and a subject of transformation according to domestic and external political developments and pressures. More precisely, in Greece regional policy appears to be

functioning for most of the period, as a significant re-distribution mechanism, facilitating radical transformation of the Greek space-economy towards globalization. To do that, it has gradually transformed itself, in terms of principles and objectives, embracing changes in the overall regulative system of European institutions and governance for Cohesion (Andrikopoulou, 1995, Gioti-Papadaki, 2010, Kourtesis and Avdikos, 2013). Regional policy commenced as a solidarity (or socio-spatial justice) policy, aiming to redistribution and reallocation of resources at the beginning of the 1990's, while it has been gradually transformed into an "investment policy" by the end of 2000's. Especially in the start of recession, Cohesion Policy firmly emphasizes economic efficiency, competitiveness and growth and conveys a major political-economic consensus around austerity and neoliberal policies, in order to defend the problematic structure of the EMU and secure the continuation of the euro. In this sense, regional policy by the end of the period in question already proposes new answers to old dilemmas (economic efficiency-vs-social justice) and contributes to the neoliberalization of domestic policies and state-space relations.

As regional development policies during this period, provided generous financial support benefitting almost all social groups and economic and social activities, it served as a good excuse for Greece to adjust to a new policy paradigm and even defend it. Fiscal consolidation and austerity have remained up to this day as the price that Greece has to "pay" in exchange for the vast inflows of EU financial support to both the domestic system as a whole, and to the Greek regions as parts and parcels of the European territory. To put it otherwise, an essence of social justice is restored and reclaimed in European politics, as structural funds are ultimately and necessarily welcome for further fiscal adjustment, opening

of domestic markets and full deregulation of the development process, on behalf of regions and member-states in crisis and in need.

Critical Economic Geography provides some more useful insights, especially to the Greek and European mode of uneven development, in times of either an “economic miracle” or, inversely, in times of crisis.

First of all, Lefebvre (1974) theorizes the concept of the “social production of space” and identifies a triad in explaining the history of social space and the process of its reproduction. This offers an interesting perspective in the case of Greece. Especially in his concept of “*representations of space*”, space as such is an object of representation and conceptualization by technocrats, policy makers, politicians, civil engineers, spatial planners and scientists. Representations of space are tied thus to production and social relations and to the ‘order’ which those relations impose and encounter in knowledge, signs and codes. In the case of “pre-crisis” Greece, regions and places have been approached in political discourse as almost similar and homogenous parts of a system and undifferentiated nodes. Space has been perceived and planned as neutral and pierced, as an homogeneous plot serving the undifferentiated location of investment, mega projects and public or private investment. A review of stabilization and development programmes at the national level, prove that there is limited interest on structural problems of production, on the unique characteristics of regions and places, or on strategic objectives for regional socioeconomic development through structural and industrial policies (see e.g. Karamesini, 2002, Katochianou, 2011, Klampatsea, 2011, Psycharis, 2004). This allows the conclusion that during these years, space and geography matter just as much as to meet the objectives of nominal convergence.

Geographical implications of capitalist accumulation, as described in Harvey's devaluation through dispossession (Harvey, 2006a, 2006b), is also helpful in understanding uneven power relations in the context of neoliberal globalization and in explaining aspects of change of ownership and appropriation of resources, most evident during the crisis.

From this point of view, we reach two observations in the case of Greece. First, the function of the Greek capitalism presents specific norms and regularities in dialectic interrelationships between space and economy. In general, we observe two spatial-economic processes that work in parallel. The first one aims at homogenization of geographical space and is set forth by EU regional policy, which motivates regional development on the basis of combined criteria of economic efficiency, as well as criteria of social justice. The outcome, in this case, is regional socioeconomic development, fostered both in the centers and poles, as well as in less developed areas that set forth "bottom-up" strategies in order for them to converge with the more developed ones. The other process, aims at diversification of geographical space and is best executed via economic and financial stabilization policies that focus on the promotion of competitiveness and fiscal discipline among member-states and regions in the European territories. The latter support especially the enhancement of agglomeration economies in a few dynamic centers (Athens and other dynamic urban areas in the case of Greece). In this case economic divergence drives the few areas that benefit more in a process of cumulative growth that exceeds the European average.

Financial crisis in the Eurozone offers an appropriate and explicit example of the way Harvey's (2003) concept of "accumulation through dispossession" occurs in practice. In this case, a deepening of coalition and conflict of interests among regional capitalistic formations, as well as among separate sections of capital, has a dual result: first, it confines the negative

effects of a systemic crisis in one area or region, most preferably in a site “of the others” and second, it perpetuates a specific power equilibrium between financial and political elites (status quo). Devaluation of internal resources is imposed exogenously over the over-indebted countries, such as the cohesion countries-members of the European Mediterranean South, while strict and extreme austerity measures of ambiguous usefulness and of a vague perspective appear to be defending national interests of specific elites and the profits of international financial capital.

This is a narration on how international creditors gain access and control over domestic resources of “others”, especially in the dependent economies of the South, after the entrance of IMF in European affairs. Finally, this same narration explains how uneven power ends up to a sort of an “internal cannibalism” in a seemingly united and uniform regional economic formation, like the EU. Especially given the lack of a redistributive mechanism to correct the function of Eurozone and the uneven geographical dynamics in European economic integration, political volition for restoring solidarity principles and social objectives, appears to be essential for economic recovery (see also, Hatzimihalis, 2012).

In any case, in the context of a European or nation-state spatial scale, political implications between regions, cities and places raise an issue of “spatial politics”. Following Massey et al.’s concept on the story of development of the “two-nations” and on the responsibility of the Global City (London, as in Massey 2007, Allen et al. 1998), in the case of Greece, Athens and its hinterland, hold a similar kind of political responsibility. As analysis shows, the production system of Athens and its wider region agglomerate activities of a higher added value, more jobs and human resources of superior skills and knowledge, almost all contemporary infrastructure in many domains and thus deprive resources and capabilities from

all the rest of the country's territory in a way resembling the concept of "backwash effects" coined by G. Myrdal many years ago (Myrdal, 1957) or the concept of "polarization effects" coined by Hirschman in the same period (Hirschman 1958). In this way, Athens defines prospects and success for the system as whole and becomes the one dominant "growth region" or the "star region" in the "economic miracle" of that period. It is significant that until at least 2013, Attica's GDP p.c. is above EU average.

Eventually, as the crisis bursts, it brings an end to political controversies in space at both scales, in the domestic and European territory. The elimination of endogenous and territorial capacities in different geographical areas means an equalization in future prospects and a new opportunity for a radical redefinition of priorities in regional and spatial planning. This nevertheless presupposes the turn to a new policy paradigm that would focus on progressive ideas such as on the significance of spatial structures and would renegotiate social justice priorities over economic efficiency.

6. Concluding remarks

An alternative "reading" of the regional problem in Greece can be based especially on two assumptions, derived from the Critical Paradigm in Economic Geography. First, regions are open and flexible social formations that interconnect through networks of material exchanges and immaterial flows. Second, power relations take place in space and through space. It is obvious though, that both cannot be merely quantified or explained through statistics or sophisticated modeling. For this reason, we propose an analytical scheme, in which interdisciplinary synthesis and holistic approach of a critical Political Economy and Economic

Geography, if combined, can offer an alternative spatial and geographical explanation of both economic development and economic crisis.

Research on the subject renders two main narrations focusing on Greece in the period 1993-2010. A first one, concerns the relations between state regulation (state policy and politics), regions (as open and flexible territorial systems) and production structure (relations between capital and labour), and a second one politics and power between Athens and Attica and the rest of the domestic spatial-economic structure and system of regions.

In our attempt to explain the crisis, we find contradicting and supplementary forms of unevenness between regions and in different spatial scales in the context of a European political economic formation. Also, we observe norms and spatialities that govern economic transformation and produce numerous imprints in economic geography. Lastly, we find that the limits of domestic growth that is another name for the economic recession, and the limits of the domestic development mode that is another name for the start of a structural crisis, come with the final upturn just before the last fall of Athens that is the catalyst for the performance of the overall economy. The Attica region falls from 118% of EU average GDP pc in 2010 to 105% in 2011 and to 99% that is below EU average by 2014.

At this point, we reach the final argument and we assert that a fundamental function of the regional problem in Greece in the era of globalization and European integration is to assist the continuation and maintenance of a specific mode of development. The underlying rationality of the implemented policies is found in pragmatism of Greek governments to achieve growth and nominal convergence in order to safeguard a position between European partners in the EMU. Domestic spatial relations and spatial structure can be considered

eventually, as one of the factors enabling fiscal consolidation and institutional compliance with a supranational form of political-economic governance, such as the EU.

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On social status, cultural orientation and well-being: A comparison between urban
and rural areas in Greece¹

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¹ This research was supported by an EEA (European Economic Area, <http://eeagrants.org/>) Grant, under the program FOREMOST

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Abstract

The aim of the present research was to explore relationships between subjective social status (SSS), cultural identity, and wellbeing in a sample of employed and unemployed persons from different regions in Greece. We collected data from a total of 1800 participants from urban (N = 1267), rural (N = 205), and semi-urban (N = 328) areas in Greece. One third of the sample were unemployed. The three groups did not differ in gender or age composition. Participants from the rural areas were less well-educated and were more likely to be unemployed than participants from the other two regions, but those differences were not large. Cultural orientation (independent and interdependent self-construal) did not differ, on average, by area or by employment status. However, relationships between SSS and individual-level cultural orientations as measured by Singelis' (1994) self construal scale, were starkly different in the three regions. In the urban areas SSS was associated with higher independent self construal; SSS was not a predictor of interdependent self-construal in the urban areas. In the rural areas the relationship was reversed, with higher SSS being associated with higher interdependence but not with independence. Well-being (Diener, 1995) was predicted by SSS almost in similar levels in two regions, yet, this relationship was partially mediated by an independent cultural orientation in urban areas and by an interdependent cultural orientation in rural areas. Finally, the extent to which relationships between SSS and wellbeing were partially mediated by participants' trait positive affect also differed in the two regions. In the urban area, trait positive affect accounted for half of the variation between SSS and well-being, whereas in the rural areas, positive trait affect fully mediated relationships between SSS and well-being. This research depicts relationships between social status and well-being, highlighting the significance of interactions between regional and individual-level cultural orientations.

Keywords: cultural orientation, social status, Greece, well-being

Introduction

Recently, there is an emerging interest in social psychology for the study of social class (e.g., Fiske, 2010). This interest was preceded by prolific research that associates social class with health and well-being outcomes (e.g., Adler et al., 1994). What is new, however, is the realization that subjective social class, that is, the subjective level of self versus others in a social hierarchy, features as a unique predictor of psycho-social outcomes even after controlling for objective socio-economic status (Adler et al., 2000).

There is a plethora of research that has shown a positive association between a person's social standing and his or her subjective well-being (see Diener, 1984; Diener et al., 1985; Easterlin, 1974). According to Diener et al. (1993) happiness and wealth are associated in different countries because richer individuals eclipse in some factors of having a better life. These factors are not stable as they dependant on cultural and social variables. Specifically, individuals with similar wealth might be happy or unhappy relying on their previous wealth or the income of those around them.

The present study aimed to test relationships between subjective socio-economic correlates with independent and interdependent self-construal and well-being outcomes in a large sample comprising employed and unemployed persons from urban and rural areas in Greece.

Subjective Social Status

Subjective social status has been understood as “a person's belief about his location in a status order” (Davis, 1956), in other words SSS explains the view of a person about his/her socioeconomic structure (Gough, 1949; Jackman & Jackman, 1973; Kluegel, Singleton, & Starnes, 1977). In theory, the idea of subjective social status is broader than that of “relative social standing” which is merely an illustration of income gap. Jackman (1979) demonstrated that education, income and occupation are shaping someone's judgment about his/her subjective social class. In a more in-depth analysis she discovered subjective class to be widely defined as both a social and an economic fact in Americans' self-representations. An assessment of subjective

social status is also possible to contain not only present social conditions, but also to integrate an evaluation of the person's past (socioeconomic, educational, and economic background), along with their future plans. Subjective social status would be normally anticipated to include the individual's family assets, good fortune, and life opportunities.

Subjective class identity is affected by numerous factors. One of the more important is gender, with the need to differentiate the class identities of men and women emerged (Baxter, 1994; Ritter & Hargens, 1975). In women SSS has been found to encompass their own employment status (Ritter & Hargens, 1975), their education level (Abbott, 1987; Jackman & Jackman, 1973), and also their husbands' objective class (Baxter, 1994). Most of the research in this area has been on subjective social "class", which has been calculated by participants self-ratings themselves of different social class groups like lower, working class, middle class, or upper class (e.g. Jackman & Jackman, 1973; Kluegel, Singleton, & Starnes, 1977). For this procedure to work efficiently, all participants should have almost the same views of the class system. The groups of "working class" and "middle class" can be defined in many ways, and are politically charged (Evans, Kelley, & Kolosi, 1992), so employing this terminology in subjective class research can be leading the wrong way. Such an approach, as is understood, poses several problems, conceptual and operational.

Recent research on the social psychology of class contends that subjective social status independently predicts outcomes such as life outcomes and is moderately correlated with objective indicators of class such as income and education (Kraus et al., 2009). Subjective social class, that is, the subjectively perceived level of self versus others in a social hierarchy features as a unique predictor of psycho-social outcomes even after controlling for objective socio-economic status (Adler et al., 2000).

The procedure of allocating oneself social status includes procedures of social comparison (comparison of self to others) and identity conceptualizations of the self. The interesting question is whether people use the typical aspects of socioeconomic class (income, education, occupation), calculations of wealth, or whether other aspects like psychological well-being affect the evaluation of subjective status. Specifically,

to what degree is the understanding of status defined by a person's self-construal, and to what degree is it defined by subjective well-being.

The cultural self

In recent decades there has been a rising interest on how culture shapes the self. A large number of influential theories have been presented concerning various facets of the self (e.g., Greenwald & Pratkanis 1988; Hermans 2003; Higgins 1987; McAdams 2013a; Triandis 1989;). Between these innovative theories to the self, one of the most auspicious and extensively used is the self-construal theory (Markus and Kitayama 1991). The main notion of this approach is that there are two distinct types of self-concept, interdependent and independent.

The notion of self-construal illustrates the basic, though contradictory, human desires for both individuation and affiliation (e.g., Benjamin 1974, 1996; Bowlby 1969; Franz & White 1985; Hermans 1999; Kafetsios & Hess, 2013; Maslow 1970). Self-construal is defined as a “constellation of thoughts, feelings, and actions concerning one’s relationship to others, and self as distinct from others” (Singelis 1994, p. 581). From the one side, it connects the cultural element of individualism-collectivism with personality; also, it is an example of impassioned debates on the intricacy of the self.

Considering that both individuation and connection constitute common human desires, each person might have both independent and interdependent self-construals. The intensity and approachability of these self-construals are specific to the individual and show the individual’s harmony between individuation and connection (Brewer & Gardner 1996; Imamoğlu 2003; Singelis 1994). Such a harmony is influenced by the current sociocultural and family environment that an individual is set in (Adams 1998; Kagıtcıbası, 2005).

Subjective well-being

Subjective wellbeing has been the main interest of research for the past twenty years (Diener, 1984; Leung & Leung, 1992; Diener & Diener, 1995). Well-being has been associated with cultural orientations. Current cross-cultural research has supplied proof for culture-specific correlates of life satisfaction (Diener & Diener, 1995). Overall, researchers find that there are two conceptually logical and psychologically

important paths to life satisfaction, the independent and interdependent self-construal (Kwan, Bond and Singelis, 1997). Independent self-construal achieves life satisfaction over mediation by person self-esteem, while interdependent self-construal achieves life satisfaction through mediation by relationship balance. These outcomes are satisfactory if someone assumes that the independent and the interdependent variables are 1) ‘orthogonal’ to each other and are 2) separate constructs.

In the present research we adopted a within-culture cognitive situated approach. That is, within a given culture, self-construal can vary on the interdependence and independence continua (Oyserman et al., 2002). This variation is particularly evident because of situational determinants and primes (e.g., groups, obligations, relations). These primed self-construals give rise to independent and interdependent mind-sets that can consequently influence related cognitions, emotions and behavior (Oyserman, 2011).

Aims and expectations

We aimed to examine the relationship between perceived social status, self-construal, and wellbeing in rural and urban areas in Greece. Based on the culture as situated cognition approach (Oyserman, 2011) we expected that independent self-construal will be a more influential aspect of the self in urban areas and hence it will be positively associated with SSS. This hypothesis is also supported by evidence that the availability of money increases individualistic tendencies. Based on the well-being literature we also expected that SSS will be associated with well-being. Conversely, in rural areas we expected that interdependence will be the more influential facet of SSS relationships with well-being however, we did not hold expectations regarding relationships between interdependence and well-being

Sample

The sample comprised 1800 participants from rural (N = 205), semirural (N = 328) and urban (N = 1267) areas of Greece. In each area there were equal numbers of employed and unemployed persons and men and women.

Measures

Subjective social status was measured with the use of the MacArthur scale of Subjective Social Status (Adler et al., 2000; Goodman et al., 2001). This is a scale that depicts a ladder consisting of 10 different ranks with each rank representing people with different levels of education, income, and occupation status. Participants are instructed to select the level that represents their standing relatively to the people in their social milieu.

Self-Construal Scale is a measure of trait or chronic self-construal. We used the revised version of the SCS that consists of two orthogonal dimensions that measure the strength of independent and interdependent self-construal. Each subscale contained 15 items and responses were made on a seven point Likert-type scale (1 = strongly disagree, 7 = strongly agree). The independent self-construal subscale contains items that assess uniqueness in social behavior and related cognitions and emotions (e.g., “I do my own thing, regardless of what others think”); the interdependent self construal subscale includes items that asses connectedness in social behavior especially emotions, cognitions, and behavior with regards to in-groups (e.g., “It is important to me to respect decisions made by the group”). Several studies have shown the SCS distinguishes between independent and interdependent self-construal at the individual level (Singelis, 1994).

Well-being was measured with the Diener et al. (2009) measure of well-being ($\alpha = .87$). Trait positive affect and trait negative affect were measured with single item scales.

Results

SSS differed by area. Results from an ANOVA ($F(2,1774) = 9.77, p < .001$) found average SSS to be significantly lower in rural areas ($M = 5.05, SD = 1.54$) than in urban or semi-urban areas which, on average, were similar ($M = 5.56, SD = 1.52/1.63$). On average women did not differ from men on SSS and neither were men or women different in SSS in rural or urban areas. As expected, unemployed persons reported far lower SSS ($M = 4.75, SD = 1.62$ vs $M = 5.96, SD = 1.36$) than employed persons ($F(1, 194,16, p < .001)$). Zero-order correlations across the sample are presented in Table 1.

As depicted in Table 2 SSS was associated with higher independence in the urban areas and higher interdependence in the rural areas.

As can be observed in Table 3, SSS significantly predicted Independent self-construal in Urban areas and (at a much higher rate) interdependent self-construal in rural areas. These effects appeared where controlling for objective aspects of social class to do with income and education. Interestingly, in urban areas women reported lower independent self-construal as expected, but this observation was not repeated in rural areas. Finally, SSS relationship with Independent self-construal was fully mediated by trait positive affect in urban areas, whereas, in rural areas trait positive affect had partial effects on SSS and interdependent self-construal associations, suggesting that positive affective is a central feature of independence and social class in urban areas, but the same cannot be said for interdependence and social class associations in rural areas. In the latter, one assumes that emotion is not a central feature of higher social status persons.

Finally, we regressed well-being on SSS, self-construal and trait PA in urban and rural areas in three steps. In both areas, SSS was a significant predictor of well-being. In the urban areas SSS relationship with well-being was partially mediated by independent self-construal and trait PA, yet in rural areas interdependent self-construal more strongly influences SSS relationships with well-being and in combination with Trait PA they fully mediated SSS relationships with well-being.

Discussion

Using a large sample comprising persons from different social strata in urban and rural areas in Greece we tested for anticipated relationships between subjective socio-economic correlates and independent and interdependent self-construal and well-being outcomes.

Participants from the rural areas reported overall lower SSS, however there were no significant differences between participants in urban and rural areas either in self-construal or well-being.

Cultural orientation (independent and interdependent self-construal) did not differ, on average, by area or by employment status. However, relationships between SSS and individual level cultural orientations were starkly different in the two

regions. In the urban areas SSS was associated with higher independent self construal; SSS was not a predictor of interdependent self-construal in the urban areas. In the rural areas the relationship was reversed, with higher SSS being associated with higher interdependent self construal and not with independence. In all three areas income was not a predictor of cultural orientation when SSS.

Wellbeing (Diener, 1995) was predicted by SSS almost in similar levels in three regions, yet, this relationship was partially mediated by an independent cultural orientation in urban areas and by an interdependent cultural orientation in rural areas. Finally, the extent to which relationships between SSS and wellbeing were partially mediated by participants' trait positive affect also differed in the regions. In the urban area, trait positive affect accounted for half of the variation between SSS and wellbeing, whereas in the rural areas, positive trait affect fully mediated relationships between SSS and wellbeing.

This research highlights relationships between Subjective Social Status and well being, underlining the significance of interactions between regional and individual level cultural orientations. Importantly, the research depicts the socially situated nature of constructions of the self, and its relationships with theoretically less malleable social constructions, such as SSS. Findings that higher SSS was a predictor of interdependent self-construal in rural areas cast a cultural view on findings that, higher SES and money is almost always associated with more independent thoughts and behavior (Vohs, Mead, & Goode, 2008). The cultural boundaries of those effects require further investigation.

The research vindicates recent findings from individualistic cultures that subjective social class, that is, the subjective level of self versus others in a social hierarchy, features as a unique predictor of psycho-social outcomes even after controlling for objective socio-economic status (Adler et al., 2000). Interestingly, SSS was a more important correlate over income.

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Table 1:

Zero order correlations between study's key variables in rural and urban areas

	1	2	3	4	5	6	7	8
1. Gender	1	.010	-.092	-.077	-.081	.025	.111	-.044
2. SSS	.061 [*]	1	.346 ^{**}	.141 [*]	.190 ^{**}	.316 ^{**}	.273 ^{**}	-.111
3. Income	.025	.429 ^{**}	1	.103	.035	.248 ^{**}	.101	-.110
4. Independent SC	-.080 ^{**}	.067 [*]	.012	1	.402 ^{**}	.537 ^{**}	.454 ^{**}	-.206 ^{**}
5. Interdependent SC	.066 [*]	.033	.025	.293 ^{**}	1	.478 ^{**}	.259 ^{**}	-.112
6. Wellbeing	.074 ^{**}	.248 ^{**}	.132 ^{**}	.343 ^{**}	.414 ^{**}	1	.573 ^{**}	-.335 ^{**}
7. Trait PA	-.007	.172 ^{**}	.056 [*]	.266 ^{**}	.273 ^{**}	.591 ^{**}	1	-.507 ^{**}
8. Trait NA	-.012	-.144 ^{**}	-.074 ^{**}	-.146 ^{**}	-.191 ^{**}	-.457 ^{**}	-.671 ^{**}	1

Note: Upper diagonal presents results from rural areas; lower diagonal presents results from urban areas

Table 2:

SSS as a predictor of IND and INTR self-construal in Urban and Rural areas in Greece

	Independent SC		Interdependent SC	
	Urban	Rural	Urban	Rural
Step 1				
SSS	.09***	.02	.13	.22**
Income	-.02	.03	.07	-.02
Sex	-.08*	.07	-.07	-.08
Education	-.02	.01	-.14*	-.12
Step 2				
SSS	.04	-.03	.01	.15*
Income	-.02	.02	.05	-.03
Sex	-.07*	.08	-.13	-.11
Education	-.02	.02	-.05	-.07
Trait PA	.27***	.28***	.46***	.21**

Table 3:

SSS, self-construal and trait PA as predictors of well-being in urban and rural areas in Greece

WB	URBAN	RURAL
SSS	.23***	.27***
Income	.03	.19**
Sex	.06*	.07
Education	.03	-.12
SSS	.20***	.17**
Income	.03	.20**
Sex	.09**	.10
Education	.04	-.07
Independent SC	.33***	
Interdependent SC		.43***
SSS	.12***	.07
Income	.04	.17**

Sex	.09	.03
Education	.04	.01
Independent SC	.20***	-
Interdependent SC	-	.34***
Trait PA	.51***	.45***
R2	.42	.47
F	(5, 1236) = 175.12	(5, 193) = 34.30

Public Sector e-Recruitment practices in Greece: The case of the Supreme Council for Civil Personnel Selection (ASEP) website.

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Although it is generally accepted that technology itself has no inherent value, there is no doubt that it is the key enabler of e-Government services. In regards to personnel recruitment, technology has undoubtedly revolutionized traditional methods. E-recruitment, generally defined as the process of utilizing new Information and Communication Technologies for candidate attraction, selection and communication management, has been extensively used in the private sector over the last two decades. The success of e-recruiting, especially in terms of reductions in hiring time and costs, also made the practice attractive as part of most e-government initiatives worldwide. Greece is no exception to this trend. Following the institution of the Supreme Council for Civil Personnel Selection (ASEP) as an independent authority in 1994, the Greek State was provided with an autonomous entity tasked with the staffing of the Public Sector, “*in conditions of full transparency, publicity, objectivity and meritocracy*”. However, it is this very statement that points at the particularities pertaining to public sector recruitment practices which are rarely present in the private sector. Greece is characterized by a decades-old clientelistic approach to public sector employment and e-recruiting for the state is a mission that raises the stakes clearly higher than that of a measured cost reduction. The current paper briefly reviews the benefits of e-recruitment practices in the private sector, examines the significant differences that apply to the recruitment practices of the Greek state and finally assesses the official ASEP website in a technical and functional manner as a tool for promoting trust between citizens and the State by applying the guidelines provided by the Greek Public Portal Certification Framework.

1. Introduction

The digital revolution can be recognized as one of the key elements of the 21st century.

Since the early 1990s, the world has observed a technological evolution of digital services of a magnitude comparable to that of the industrial revolution. The era commonly described as the “digital age” has manifested itself as a wide array of change in the established economic rules and order (Holroyd & Coates, 2015: 3-10), and a paradigm shift from traditional “old” economy to an economy based on information computerization (Khosrow-Pour, 2006: xxxviii; Vassilakis, et al., 2009). In regard to the public sector, Reddick (2005:40) notes that due to the growth of Information and Communication Technologies (ICT), a transition was noticed from what has been commonly labeled as street-level bureaucracies to system-level bureaucracies. The term street-level bureaucracies refers to “the public servants who have direct contact with citizens”, while system level bureaucracies could be defined as “the information

systems that have replaced street-level bureaucracies through automation of their decision-making processes”.

The main tool that made this transition a reality is none other than the Internet. In principle, by using an internet capable computing device, citizens can contact government anytime and anyplace, without going through a street-level bureaucrat. However, beyond the domain of strict technological determinism, it is accepted that technology does not exist in vacuum nor does it carry any inherent value. IT-investments should be made with corresponding changes in the organization, the processes and the human resources involved. In order to reap the expected benefits, the aforementioned entities should be aligned with the organization's long term strategy using technology as an enabler. In any other case, the investments might end in significant productivity losses because the potential value of IT is overcompensated by negative influences due to a mismatch of organizational practices and the IT structure implemented (Brynjolfsson & Hitt, 2000: 25).

Simultaneously, in the context of human resource management, recruitment is a process of locating and acquiring the right applicants to an organization and the goal of the recruitment function is to identify, attract, and hire the most qualified people (Buettner, 2014). Every organization uses some form of a staffing procedure, and staffing is the primary way an organization influences its diversity and human capital (Ployhart, 2006: 868). The basic function of the recruitment process is to seek, attract and eventually select a range of qualified applicants using a variety methods. Among others, “conventional” recruitment methods used by organizations to fill workforce vacancies, consist of contacting existing networks of friends and colleagues, former employee alumni associations, employee referrals, or as mentioned above, using newspaper classified ads. This is an inherently dynamic procedure since, every time that an

organization experiences changes in policy, technology, location, mergers, acquisitions, de-mergers, and employees' resignations, this process continues to take place periodically to add, maintain, or re-adjust their workforce in accordance to the corporate and human resource planning (Tyson, 2006: 49-50).

In today's digital era, most organizations use some form of Internet recruiting to provide information to potential applicants as well as to acquire a pool of human capital by allowing applicants to apply for positions via the web (Braddy et al., 2008: 2992; Maurer & Liu, 2007: 305). As early as 2001, 90% of large U.S. companies were already recruiting via the Internet (Cappelli, 2001: 139).

Online recruitment is considered superior to traditional methods of attracting job applicants. It can be quicker and more informative, and it offers significant although occasionally, unfulfilled potential of cost savings. The attractiveness of internet recruiting to applicants and organizations, is predictable since it offers a range of advantages to all those involved. From an employer's perspective it can be more efficient from the than the traditional methods of posting job vacancies on press classified ads and receiving job applications by mail (Lukaszewski et al., 2015: 370). Apart from the obvious benefits of cost-reduction related to the overhead of storing, managing and accessing written files, online web-based forms provide a means of standardization and common structure thus facilitating the evaluation and selection process. Also, given the mobility of the workforce in many sectors of the economy at an international level, recruiting websites can reach candidates by advertising position openings to job seekers on a global level (Galanaki, 2002: 244; Verhoeven & Williams, 2008: 365).

As a tool, internet based recruiting through an organization's website plays a critical role in respect to attracting candidates and building the public image of the prospective employer. The website itself, its ease of use, aesthetics and functionality are of extreme importance if an organization seeks to exploit these technologies for recruitment purposes (Zusman & Landis, 2002: 295).

Early on, it was acknowledged that an organization's internet presence in the form of websites, provides candidates with the opportunity to learn about the institution, search for and preview job vacancies, submit résumés, and/or fill out application forms (Lievens et al., 2002: 586). Corporate home pages are therefore the first place many people look when evaluating potential employers. Even applicants using third-party sites such as job search engines, are exposed to organizations' websites early in the job search process because third-party sites commonly link applicants to individual companies' pages (Zusman & Landis, 2002: 291).

Because prospective employees commonly encounter companies' electronic representations early in the job search process, organizational home pages should be designed with potential recruits in mind. Attractive formatting and functionality (i.e., user friendliness) are two factors that will enhance a website's appeal, indirectly formulating a user's perception of the organization. Website façade and perceptions of usability, rank among the important drivers of applicant attraction in some theoretical models of organizational website recruitment (Cober et al., 2004a: 635-636). As employment websites have a dramatic effect on employee recruitment, web content is not the only important component of an organization's recruitment strategy. Form and aesthetics are equally significant in the e-recruitment process (Cober et al., 2004b: 211; Thompson et al., 2008: 2385; Sylva & Mol, 2009: 312).

2. Recruiting with an “e” for Government

Nevertheless, a comparison between private sector recruitment practices with the public sector is not directly applicable. Notions of social justice, equal opportunities for citizens, and respect for preexisting social entitlements do not carry the same weight in the private sector as it does in the Civil Service of a sovereign state. Similarly, the versatility, flexibility and adaptability that are frequently noted in private firms are not attributes usually observed in public sector vertical bureaucracies. The latter are bound by law and compliance to procedure, not by personal initiative. As Bower (1977) characteristically notes, “business people should operate under no illusions about there being similarities between their work and the tasks of public administrators”. Civil servants even at the executive level, make decisions within the boundaries defined by state legislation rather than by addressing the actual or supposed needs of the organization according to their own perception, training or professional competencies.

Even though over the past three decades, governments have made major changes to the way they manage the public sector, such as privatizing commercial activities, “cutting red tape” and making government more transparent and responsive to citizens, the public’s expectations of openness, quality service delivery and solutions to more complex problems, coexist with the requirement of retaining long standing social prerogatives (OECD, 2005: 13). Within this context, public sector employment is undoubtedly changing and the two main traditional ways of organizing civil service systems – career-based and position-based – are both under pressure: the former because it lacks adaptivity and the latter because it lacks collectivity. However as the relevant OCED report states, “despite the fundamental changes observed, strategic resource allocation remains difficult in the public service” (ibid: 182-183). Even though common attributes of the recruiting and hiring processes can in principle be found in

both public and private organizations, in practice there are several important differences that since government employees must frequently (Bower, 1977):

- accept goals that are set by organizations other than their own,
- operate structures designed by groups other their own,
- work with people whose careers are in many respects outside management's control

Similarly, as opposed to typical private sector employment, public bureaucracy employees usually secure a lifelong employment, they are commonly expected to work on a permanent basis in the organization they are hired, they progress through the hierarchy in mostly predefined career paths and their salaries are fixed, predictable and based on seniority and years of service rather than on individual merit and performance. Also, talent attraction and competing with the private sector for qualified potential employees which is routinely mentioned as one of the key benefits of e-recruitment, is not always an issue of government recruitment.

For example the Greek state was always considered a preferential employer by the citizens because of the real and perceived benefits of being a public servant vs an employee in the private economy. Public sector employment in Greece is characterized by its distinctiveness (Spanou, 2008: 165) and civil servants have obtained much better social insurance, health and pension schemes than farmers and private sector employees (Sotiropoulos, 2004a: 408; Trantidis, 2015). For the Greek public administration there was rarely a need to seek out and attract talent since it almost never experienced a shortage of potential applicants. ASEP proclamations to fill vacancies of the civil service usually attract candidates many times over the available positions. As early as 2004, a report by the ASEP independent authority stated that on a yearly average, the

Greek State ran 500 to 600 public contests in order to fill around 9000 vacancies and the average number of candidates ranged from 600.000 to 700.000 (ASEP, 2005: 45). Specifically, in 2006 the written examination for the recruitment of public education gymnasts attracted over 100 applicants per available position (ASEP, 2006). Therefore, public sector employment in Greece does not function as part of the greater labor market (Tsoukalas, 1993: 35) and this was true even before the record high unemployment rates experienced by the country's workforce in the recent years. A more important challenge faced by the Greek State is that of building trust with the citizens as far as its staffing procedures display the qualities of openness, objectivity, transparency and meritocracy.

As an employer, any government needs to address a unique set of ethical and more importantly, legal responsibilities. Modern state authorities are expected to engage in those actions which belong within the strict boundaries defined by the formality and rigidity of law. Among others issues, principles such as those of transparency, accountability, meritocracy and provision of apolitical equal access and opportunities to its citizens for state employment, need to be constantly contemplated. In this sense, although internet recruiting is also an integral part of e-government initiatives, governments cannot rely exclusively on web based recruitment techniques. Issues such as the digital divide, disparities in Internet usage across social groups and lack of uniform access to the same communication and computing infrastructure can hinder the citizen's equal opportunities to access the tools provided, no matter what their level of sophistication is. For example, in the case of Greece, a report by OECD in 2009 exhibits a high degree of discrepancy between the level of online sophistication of existing government services available to businesses and individual services and the level of the

actual use of these services (OECD, 2009: 12-13) due to the still developing infrastructure of the country.

Approaches of the recruitment practices in the public sector are strongly influenced by the New Public Management Concept (NPM). The NPM emerged as a model in the 1980s during the Thatcher administration in the UK and became popular in OECD countries in the decades that followed (Hood, 1989; 1991; 1995). It is an influential set of management techniques drawing on private sector performance criteria and practices (Lapsley, 2009: 1). The NPM models favors a managerial approach to public services, bundling processes and techniques many of which are directly borrowed for the private sector thus pushing the state toward managerialism - a theme that evolves around the idea of organizing government based on incentives rather than rules. However this cannot be done without regard to the particularities that characterize and pertain to the public sector of a specific country, the given historical, economic, political and social context through which a Civil Service was initially established and then progressively developed. Thus it is not always realistic nor is it always desirable to blindly transfer established best practices from the private sector, over to the public sector without taking into account the social reality, the political possibilities, the administrative feasibility and the reformation potential of a specific Civil Service. For instance, Western European bureaucracies are typically dominated by an administrative elite, a higher officialdom of “well-educated top civil servants sharing an esprit de corps and enjoying high social esteem” (Sotiropoulos, 2004a: 416). It is these civil service elites that usually exhibit bureaucratic resistance to reform and modernization initiatives. So governments, at least to some extent, have to establish a *modus vivendi* with these elites in order to proceed with their reform policies. However no such group exists in the Greek Civil Service since many public servants have been employed on the basis of

qualities such as partisan affiliation or personal networking, rather than on meritocratic criteria and rational qualifications. In the case of Greece, any government attempting to implement reforms needs to take into account and correspondingly plan for potential confrontation with powerful and highly politicized public sector unions (ibid: 410) and handle opposition from party-level “bureaucratic” clientelistic networks (Lyrintzis, 1984), even when those belong to the party in office.

3. Personnel Selection of the Greek Civil Service

Political patronage has been a “time-honored” feature of Greece’s political system (Pappas & Assimakopoulou, 2012: 145). The practice of clientelism is widespread and apparent in the Greek public administration, especially in many aspects of its human resources management, even though the state is the country’s largest employer (ibid: 147). Hiring, transfers and promotions of personnel tend benefit mostly those who side with the governing party and this notion has characterized the Greek civil service throughout the twentieth century (Sotiropoulos, 2004b: 266). Also, a common hypothesis is that Greek political elites have traditionally used the State’s public administration mechanism not as a tool for policy implementation but as an instrument of vote generation, by exchanging among other favors, public employment for voter loyalty (Lyrintzis, 1984; Mouzelis, 1978; Afonso et al., 2015; García, 2015) as clientelism has been a central structural feature of modern Greek politics (Mavrogordatos, 1997: 1). While clientelism manifests itself in many ways, providing a wide array of services, it is public employment that is the single most important attribute in the eyes of public opinion (ibid: 3).

As such, the process of employment and other internal HR functions e.g. promotions of the Greek Public sector has a long history of being one that thrives directly or indirectly, within the realm of governing party affiliated individuals. The Supreme

Council for Civil Personnel Selection (in Greek: ASEP) which was established in 1994 (Law 2190/1994) offered for the first time a centralized independent institution for managing public sector hiring in a meritocratic manner, in principle beyond partisan control and manipulation. The Council functions as an independent authority within the Greek state bureaucracy subject to parliamentary but not governmental control (Mavromoustakou, 2009: 25). A large number of amendments and legal provisions were enacted since the Council's institution, determining the specifics of state hiring however the core procedures have been essentially the same over the years: staff hiring through written examinations or a predetermined grading system based on a collection of "objective criteria" that yields "points" to an applicant. Secondary recruitment tools such as personal interviews and psychometric tests, which are successfully used in the private sector, were not originally utilized by the Greek state as they were deemed highly subjective (Alexopoulos & Mavromoustakou, 2005: 751). Also, beyond the task of initial staff recruitment, a second equally important function of the Council is that of approving and controlling the legitimacy of staff procedures followed state agencies not only for hiring but also for internal HR functions such as promotions.

However, even though the declared intentions of all Greek governments typically include the containment of particularistic/clientelistic recruitment practices and officially the procedures of hiring and promoting within the civil service are consistent and meritocratic, the relevant measures are always undermined by counter-measures circumscribing the existing provisions of previous policies (Spanou & Sotiropoulos, 2011: 729). Pappas & Assimakopoulou (2012: 148-149) mention four techniques that political elites employ so that traditional patronage and clientelistic practices in the domain of public sector recruitment continue to exist: a) Institutional exemptions are set as to circumvent the Council's jurisdiction altogether, b) personnel are hired based

on renewable, fixed-term contracts, which are then typically expected to be converted to permanent employment at a more “politically convenient” later time, c) work experience is gained through temporary employment in state-funded programs, which is then used to gather “points” that meet the criteria set by the Council, and finally, d) by abusing the practice of interviewing candidates and selecting applicants based on non-transparent criteria. Especially in regard to the personal interview established as a complementary process to the existing ASEP criteria (Law 3320/2005), there was no provision for keeping and publishing minutes (ibid: 149) and it doesn’t come as a surprise that as a recruitment tool, it is “discredited in the Greek context” (Spanou & Sotiropoulos, 2011: 729).

Nonetheless, in spite of the institutionalized exemptions and loopholes that challenge and undermine the Council’s authority, as well as certain dysfunctions due to “slowness, legalism and rigidity” (Spanou, 2008: 164), ASEP remains the most prominent feature of the official recruitment system and its autonomy was further institutionally secured by provision of the 2001 Constitution (article 103/7).

4. The ASEP portal and the Greek Public Portal Certification Framework

An integral tool for the accomplishment of the Council’s mission is its official web portal. It is the main delivery channel for content and interaction between the Council, the citizens and other state agencies and it is ranked among the most visited sites of the Greek public sector. Within the greater context of providing access facilitation and provision of government service to the people, state agencies websites are expected to promote efficiency, effectiveness, transparency and accountability (Holmes, 2001; Karvonen & Parkkinen, 2001; Jaeger, 2003; Searson & Johnson, 2010; Hong, 2013).

Of the aforementioned benefits of government portals, transparency and accountability are most important in the process of building trust between the citizens and the state. Accountability of government services provided is an integral component of democratic governance (Pollitt, 2003: 3) and a key variable towards increasing citizen trust in government by making services directly accountable to the citizens (Nayer, 2015: 194). Transparency on the other hand, is commonly associated with public spending however approaching transparency solely through the lens of public expenditure, limits the significance of the term. Transparency within the domain of e-government generally describes the use of IT to allow public sector decisions and actions more open to public scrutiny (ibid: 194). Within this context, the Council's website should help the institution to accomplish its mission by open and unrestricted information provision for vacancies, results such as exam grades or points gathered, as well as the processes and methods involved for obtaining these results. Furthermore, as an integral part of building trust, it has been suggested that information provision drives fairness heuristics (Bell et al., 2004: 33; Ployhart, 2006: 870; Holz et al., 2016: 201) and information presented early in the selection procedure affects perceived fairness (Harris et al., 2004) and fairness perceptions can affect applicant reactions at this early stage of the selection process.

A key tool available to all state agencies in Greece in order to design, build and evaluate their web portals is the Greek Public Portal Certification Framework (PPCF). The framework was initially documented in 2005 and was based on the "European Interoperability Framework for pan-European eGovernment services" (European Commission, 2004). The PPCF is part of the general framework for e-government services regulated by laws 3731/2008 and 3979/2011 and article 5 of latter states that "every public sector agency shall be required to create and maintain a website" making

web presence essentially compulsory for all state agencies. By 2008, the Greek State, had documented well over 1000 public agency web portals (Ministry of Interior, 2008a). However, the variety of approaches to their implementation in functionality and aesthetics demonstrates that even though a standardization was in place the required consistency across the public sector was not in fact achieved. The end results show that the relevant effort undertaken by the public agencies was actually uncoordinated and heterogeneous leading to problems and discrepancies for both agencies and citizens alike (Sarantis et al., 2008).

The framework requires that all state agency portals adhere the following five principles (Ministry of Interior, 2008b):

- a) Principle of Equality and Egalitarianism by securing unrestricted access to state electronic services by all citizens without discrimination
- b) Principle of Completeness and Credibility by hosting content that is complete, valid, concise and current
- c) Principle of Trust by strengthening citizens' confidence and securing their personal data and privacy, using up to date authentication and authorization tools
- d) Principle of proper use of Public Resources by building cost-effective portals
- e) Principle of Open Public Data Provision by distributing public information in a consistent manner with no technical, legal or organizational constraints.

The framework's functional components consist of a comprehensive methodological toolkit that provides rules and guidelines which can be are classified in five categories:

- a) general principles for designing and operating portals, b) portal administration and optimization, c) content organization and presentation, d) Services support and

interoperability e) Security and legal issues. The evaluation guidelines are categorized into three different groups: a) compulsory (105 criteria), suggestive (55 criteria) and “under consideration” (6 criteria). In an attempt to simulate the original visitor experience, the approach adopted for the evaluation was that of an external user i.e. no interviews were conducted with ASEP personnel responsible for managing the web portal. Therefore parts of the PPCF criteria related the portal’s technical administration and infrastructure such as server hosting and architecture solutions were not evaluated. The results of the assessment are presented in the following table:

Table 1. ASEP Portal PPCF Criteria Compliance

	Total	Applicable	Compliance	
1. Portal Administration & optimization	35	20	50%	Partial
1.1 Administration	6	1	100%	Full
1.2 Domains & URL	15	9	61%	Partial
1.3 Content & services evaluation	7	4	0%	None
1.4 Portal promotion	7	6	58%	Partial
2. Content Organization & Presentation	63	59	83%	Partial
2.1 Design & aesthetics	21	21	90%	Partial
2.2 Content Management	21	17	68%	Partial
2.3 Searching & navigating	13	13	100%	Full
2.4 Accessibility	8	8	69%	Partial
3. Services, support & interoperability	35	30	55%	Partial
3.1 Electronic services support	13	12	79%	Partial
3.2 Newsletters & discussion forums	22	18	39%	Partial
4. Security requirements & legal issues	33	20	100%	Full
4.1 Security & privacy	25	12	100%	Full
4.2 User categories & access rights	3	3	100%	Full
4.3 Legal issues	5	5	100%	Full
Totals	166	129	74%	Partial

The overall compliance of the portal with the relevant guidelines provided by the PPCF is deemed satisfactory although there are clearly areas where improvement is feasible. Functionally the process of informing is well defined although hindered by the lack of an electronic starting point on the part of the Council, i.e. information dissemination at a personal level by delivering newsletters and/or RSS feeds. This is obviously related

to the fact that the core processes of the Council revolve around candidate selection and not attraction.

In the technical aspect of the evaluation, there two features that are missing: In regard to the government-to-citizen aspect of the portal, single sign-on services (SSO) functionality could be provided by perhaps the most complete electronic database of the Greek State, that of TaxisNet. Such SSO functionality is already present and available to use in other government portals. For example, using their TaxisNet account as an SSO service, government employees can access their own personnel file in the Central HR Register database and their financial data from the Single Payment Authority of the State. This would essential refute the need for user registration with portal specific functionality and would eliminate the duplication of citizens' data within state agencies. Similarly, within the greater context of e-government oriented technologies, the Council should consider building a mobile friendly portal if not a specific mobile application to handle the core of the services already provided by its web portal informational and transactional functionality. The PPCF takes into account the proliferation of internet capable mobile devices such as smartphones and tablets in the recent years, and provides guidelines for the compliance of presentation and functionality in the context of small screen applications and web portal renderings. This is especially important for ASEP as its services are more commonly directed towards the younger generations. The younger age groups have been more actively seeking jobs in the public sector given the extremely high unemployment rates they currently experience while at the same time they are avid users of mobile communication devices. Yet accessibility by mobile devices is not supported by the Council's portal essentially rendering on mobile, the same pages as the ones used for desktop browsers. One final observation to note is that the above results are very similar to an assessment performed

by Sarantis et al (2008) indicating that little has changed in terms of the modernization or transactional abilities of the portal over the last years.

5. Discussion

The Supreme Council for Civil Personnel Selection, is one of the most recognizable and trusted public institutions in Greece. In a public opinion poll measuring the “Greek Index of Confidence in Institutions (GICI)”, the Council enjoys a high level of trust among the Greek public (Public Issue, 2009) and in a similar poll in 2014, its institution was regarded as one of the most important events that occurred in the country during the 1990s (Public Issue, 2014).

The Council’s website, as evaluated using the official Greek Public Portal Certification Framework demonstrates that it acts as an important building block in the construction of public trust towards the Institutions and the hiring procedures of the Greek State. In this context it fulfills its goals as set by the established e-government practices and accordingly, its expected benefits of increased transparency, accountability and meritocracy. The key requirements of transparency and accountability are met by publicizing, for every candidate, all the stages of the staff selection procedure (OECD, 2011).

However its contribution and scope to this end, can only be partially achieved regardless of the tools used, for reasons not directly related to technology. First, personnel selection is only part of the HR functions of any Public Administration. Most internal procedures such as evaluations, promotions and intra-governmental employee mobility lie beyond the Council’s established institutional responsibilities. In this sense its Government-2-Employee (G2E) functionalities are virtually non-existent. Second, as mentioned earlier, the Greek political system was all too quick to enact legal

loopholes in order to subtly circumvent official established procedures, or indirectly manipulate the Council's authority.

Apart from the “deliberate” exemptions set to limit the Council's power, the independent authority also has to deal with the constantly changing and ever increasing legal environment of provisions and amendments that define and alter the boundaries of its jurisdiction. The Council's annual report for 2010 alone, lists 12 laws and 10 ministerial decrees enacted in that year pertaining to the ASEP's role and jurisdiction (ASEP, 2011). An interesting side-effect of the complicated legal environment that regulates civil service hiring in Greece is that it has led to “novel” private sector business that assume the responsibility of submitting applications on the account of candidates so that they cannot be excluded for typical-bureaucratic reasons of application compliance.

The above ultimately demonstrates the limits of the transformational aspects of technology within the public sector. The institutional enhancement of the Council's power, the expansion of its political autonomy and responsibilities within the Greek Public Administration is something that needs to be constantly addressed and refined while at the same time utilizing the available technology to this purpose. It is important to note that the existing institutional loopholes for personnel selection and internal HR procedures, do not only undermine the autonomy of the Council. They also weaken the public's trust towards the Council's authority and state institutions in general.

The Greek State can and should continue to build upon the established public's acceptance of the Council as a credible, trustworthy independent institution by enhancing both its legal and operational capacity. This does seem to be the general direction, as very recently, two important steps were taken by the Greek state to

institutionally and operationally assist the Council's mission. Article 11 of law 4325 enacted in May 2015 provisions the creation and maintenance of an electronic database by the Council which within a 5 year data lifespan, holds all the relevant data and qualifications submitted by applicants so that they may be reused without the need for resubmission. At the same time, other public agencies are obligated to provide any data required by the Council insofar as they relate to processes that fall within its jurisdiction. Furthermore, legislation introduced in February 2016 (law 4369/2016) provisions the creation of a "National Register of Public Administration Executives". This is essentially a database of civil service personnel that hold advanced qualifications and will serve as the pool of selection for appointments in executive positions of the Greek public administration. This qualified personnel database will be developed and maintained by the Council, thus lending its credibility to internal HR function of the Greek Civil Service such as selection procedures for appointments and promotions in the higher levels of the public bureaucracy.

The aforementioned legislation is definitely set on the right track, yet one should keep in mind that hiring through the Council is almost deterministically, a time-consuming process. Modern governments operate in an environment that demands versatility and flexibility. For these reasons, direct staff hiring for certain positions in the public administration, by bypassing long legalistic Council procedures, invariably provides an advantage. After all one could reasonably argue that allowing a minister to choose his associates on his own can only make him more effective and efficient at his tasks.

Still, in the eyes of public opinion, state hiring will always be an integral component of trust between citizens, Institutions and the Greek State in general. This trust will constantly hang in the delicate balance between on one hand, the versatile yet inevitably particularistic, extra-Council hiring procedures, and on the other, the lengthy, legalistic

yet unbiased and impersonal, official ASEP hiring channels. Creating and sustaining this balance is a perpetual challenge for any Greek government seeking build the public's trust while at the same time maintaining the ability to run an effective and efficient public administration.

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Crisis and austerity.

Disintegration of the welfare state

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1. Facets of Euro-Crisis, Austerity Policies and Global Imbalances

After the outbreak of the 2008 global economic crisis, the European project has entered its second, less optimistic phase. Cross-country differentials in growth and inflation, persistent current account (or financial account) imbalances, real effective rate appreciation (mostly for countries with current account deficits), a sharp rise in the sovereign debt overhang of several European countries, culminating in a European debt crisis and the setting up of a leveraged and highly integrated banking system were the most striking developments. Political authorities in the European Union (EU) and the Euro-area (EA) put forward austerity policies to tame the crisis processes in the EA and the EU.

Austerity is considered to be a vehicle suitable to promote competitiveness through “internal devaluation” of wages, which shall reflect in reduction of prices of tradable goods, and thus in a positive current account balance and a process of export oriented growth. According to the *European Economic Forecast*, of Winter 2015,² the current account balance of both the EU and the EA has been improved for all countries during recent years and it is expected to reach 3.0% of the GDP of the EA in

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² http://ec.europa.eu/danmark/documents/alle_emner/finanser/wf15ee1_en.pdf

2016, with Germany keeping the lead with a current account surplus of 8% of the GDP.

This apparently positive outcome coincides, though, with a negative performance as regards other crucial indexes of economic and social development:

Unemployment has risen since the 2008 financial meltdown in the EU and the EA more than in other regions of the developed capitalist world, still remaining above 11% (as compared to 5.0% in the USA and 3.3% in Japan), despite some mild improvement since 2013.

GDP growth rates remain below 0.5% (as compared to 3.5% in the USA and 1.3% in Japan).

The inflation rate (Harmonized Index of Consumer Prices) reached negative values this year, trapping investment and growth.

Last but not least, the sovereign debt overhang in the EA cannot be contained by the methods implicit in the austerity strategy, i.e. increasing primary surpluses and privatizations. The debt ratio of the EA increases in recent years, and this is especially the case for the higher indebted EA countries like Greece, Italy, Portugal, Cyprus, Belgium, Spain and France.³

Austerity has been criticized as an irrational policy, which further deteriorates the economic crisis by creating a vicious cycle of falling effective demand, recession and over-indebtedness. Moreover, European austerity policies have been accused of dragging the global economy into recession and a liquidity trap,⁴ by exacerbating global imbalances.

Given that since the 2008 financial meltdown, the U.S. current account deficit was reduced by more than 50%, Japan's current account surplus almost disappeared,

³ Eurostat Statistics Explained. Structure of Government Debt, http://ec.europa.eu/eurostat/statistics-explained/index.php?title=Structure_of_government_debt&stable=0&redirect=no See also Table 1, below.

⁴ “Right now, German 5-year bonds offer a yield of zero – an implicit firm forecast that Europe will be in a liquidity trap for the foreseeable future [...] investors see so little in the way of profitable investment opportunities that they're willing to pay the German government to protect their wealth, and they expect something like 0.3 percent inflation over the next five years, which is catastrophically below target”, Paul Krugman: “Europe's Trap”, *The New York Times*, January 5, 2015.

http://krugman.blogs.nytimes.com/2015/01/05/europes-trap/?_r=0

while China's current account surplus was considerably reduced,⁵ austerity led European current account surpluses are seen as the main mechanism creating global imbalances.

As a cure to the vicious cycle of austerity-recession-indebtedness-global imbalances, many prominent economists propose a shift in European economic policies, through abandoning austerity, increasing public spending and curtailing German and European current account surpluses. A raise in wages in Germany (and Europe) should be the starting point of this policy shift. As former Chairman of the Board of Governors of the Federal Reserve System (Fed), Ben Bernanke, put it:

“German workers deserve a substantial raise, and the cooperation of the government, employers, and unions could give them one. Higher German wages would both speed the adjustment of relative production costs and increase domestic income and consumption. Both would tend to reduce the trade surplus”.⁶

However, these criticisms can hardly explain why austerity and fiscal consolidation, this allegedly ‘irrational’ or ‘wrong’ policy, persists despite its ‘failures’. In the next section of this paper, we will try to formulate a first answer to this discrepancy.

⁵ Ricardo J. Caballero, Emmanuel Farhi and Pierre-Olivier Gourinchas: “Global Imbalances and Currency Wars at the ZLB”, Draft Paper, October 22, 2015. <http://economics.mit.edu/files/10839>

⁶ Ben Bernanke, “Germany’s trade surplus is a problem”, April 3, 2015, Brookings Institution, <http://www.brookings.edu/blogs/ben-bernanke/posts/2015/04/03-germany-trade-surplus-problem>

Many economists share exactly the same view. E.g.: “The eurozone needs to address its internal and external imbalances more seriously. This can’t be achieved by fiscal consolidation, structural reforms and devaluations. It has to involve not only fiscal expansion in countries that can afford it most, but also a sustained rise in wages across the euro area to boost domestic demand”, Shahin Vallée: “How the Eurozone Exports Deflation. Fiscal devaluation without wage growth will trigger bad side effects both at home and abroad”, *The Wall Street Journal*, November 5, 2015.

<http://www.wsj.com/articles/how-the-eurozone-exports-deflation-1446757311>

2. The causal interdependence between economic crisis and austerity

Austerity is neither a “false” nor a “correct” policy.⁷ In reality it is a policy promoting the (economic, social, political) interests of certain social groups, as opposed to others, especially after the outbreak of the global financial crisis.

Economic crises express themselves not only in a lack of effective demand, but above all in a reduction of profitability of the entrepreneur (capitalist) class. Austerity constitutes a strategy for raising again capital’s profit rate.

Austerity constitutes the cornerstone of neoliberal policies. On the surface, it works as a strategy of reducing entrepreneurial cost. Austerity reduces labour costs of the private sector, increases profit per (labour) unit cost and thereon boosts the profit rate.⁸ It is complemented by “economy in the use of material capital” (alas, another demand curtailing strategy!) and by institutional changes that on the one hand enhance capital mobility and competition and on the other strengthen the power of managers in the enterprise and share- and bondholders in society. As regards fiscal consolidation, austerity gives priority to budget cuts over public revenue, reducing taxes on capital and high incomes, and downsizing the welfare state.

However, what is cost for the capitalist class is the living standard of the working majority of society. This applies also to the welfare state, whose services can be perceived as a form of “social wage”.

It is clear therefore that austerity is primarily a class policy: It constantly promotes the interests of capital against those of the workers, professionals, pensioners, unemployed and economically vulnerable groups. On the long run it aims at creating a model of labour with fewer rights and less social protection, with low and flexible wages and the absence of any substantial bargaining power for wage earners.

⁷ For a critique of these approaches see D. P. Sotiropoulos, J. Milios, S. Lapatsioras, “Addressing the Rationality of ‘Irrational’ European Responses to the Crisis. A Political Economy of the Euro Area and the Need for a Progressive Alternative”, in A. Bitzenis, N. Karagiannis, J. Marangos (eds.) *Europe in Crisis*, Palgrave/McMillan 2015: 67-76.

⁸ It sounds, therefore, absurd to the capitalist class, to urge it to give away money to their workers and employees, so that they may then buy more of their products.

Austerity does lead, of course, to recession; however, recession puts pressure to every individual entrepreneur, both capitalists or middle bourgeoisie, to reduce all forms of costs, i.e. to try to consolidate her/his profit margins through wage cuts, intensification of the labour process, infringement of labour regulations and workers' rights, massive redundancies, etc. From the perspective of big capitals' interests, recession gives thus birth to a "process of creative destruction": Redistribution of income and power to the benefit of capital, concentration of wealth in fewer hands (as small and medium enterprises, especially in retail trade, are being "cleared up" by big enterprises and shopping malls).

This strategy has its own rationality which is not completely obvious at a first glance. It perceives the crisis as an opportunity for a historic shift in the correlations of forces to the benefit of the capitalist power, subjecting European societies to the conditions of the unfettered functioning of financial markets, attempting to place all consequences of the systemic capitalist crisis on the shoulders of the working people.

From the above analysis becomes clear that stopping austerity, raising wages, developing the welfare state etc. cannot be a simple issue of "the cooperation of the government, employers and the unions" (as Bernanke suggests), but an outcome of a radical shift in the social and political relation of forces, i.e. an outcome of labour struggle.

3. Current Account Balance plus Capital Balance:

Reflective vs. Structural causality

The agenda of recession-led reforms across Europe is based on a (necessarily) wrong theoretical explanation of European crisis. It focuses on the Current Account Balance and regards the Capital Account Balance as a mere reflection of the Current Account.

The post-crisis official narrative gradually targeted the economies in deficit as solely responsible for the imbalances because of private sector *dis*-saving, public sector *dis*-saving, or both. This is a moralistic kind of reasoning, suggesting that these economies are "profligate", "reckless", and "incontinent" living "beyond their means". This argument is the result of a particular reading of the causality

determining the current account balance, while practically ignoring the role of the *capital balance*. Let us say it favours a *reflective causality*.

Negative current account is seen as the result of aggregate consumption (living standards) that exceeds the productive capacities of the economy. In this line of thought, a current account deficit can hold because over-borrowing from abroad either boosts domestic demand at levels that overtake productive capacity or, alternatively, masks the structural gaps in competitiveness and productivity. “Cheap” finance or risk mispricing is the necessary closure of the argument.

Therefore the suggested cure for the rebalancing of negative current account positions is domestic deflationary policies in the deficit countries (asymmetric responses in the context of the EA). This in turn implies the curbing of wages and public spending (public benefits) and the privatization of public goods. Imbalances are “bad” on the part of deficit countries and therefore attacking interests of labour must be the proper economic response. The resulting policy mix should reflect the neo-liberal agenda. Recession is seen as the proper way to bring profligate countries back to the path of economic virtue. We clearly deal here with a recession-led political agenda. The logic is summarized by Figure 1.

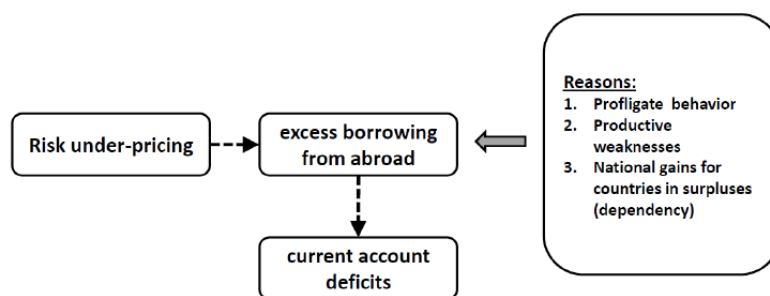


Figure 1. The “mainstream” approach to European Crisis

It is a political project that gradually reshapes EA economic and social institutions to the benefit of capital: it totally reorganizes the conditions of reproduction of labour power. In doing so it creates different monetary tiers within the EA. It thereby undermines what it claims to be its basic target: the unity and singularity of the common currency.

The above post-crisis official argument fails to capture the dynamics of contemporary global economy. This is because it treats the financial (capital) side of the balance of payments as a passive reflection of either the current account balance or of the autonomous investment decisions of private and public agents. This is a line of reasoning that neglects the real workings of modern finance, e.g. the high portfolio capital import in fast growing EA countries (Ireland, Greece, Spain etc.) before 2008, due to (the expectation of) high rates of return in exactly those countries.

However, first, the financial account has its own autonomy and does not simply fill the gaps of the current account trends. Second, the financial account imbalances create their own dynamics both in surplus and deficit countries.

Besides, it takes two to tango: for reckless borrowing, a reckless lending is required; therefore, reckless finance. However, finance cannot be reckless for such a long period (covering the first phase of Euro). Finance may aggravate existing contradictions making contemporary economies vulnerable. But finance is also a particular technology of power that provides a setting for the organization of capitalism.

Capital imports in the “Euro-periphery” to a large extent referred to autonomous capital investment (portfolio investment, mainly). Investment capitals in the more developed countries of the “European-core” sought higher profitability in the financial system of the countries of the “European periphery”, which before 2008 was growing with considerably higher rates. In this way they reinforced the already significant rates of growth of the GDP in the latter.⁹ The flow of capitals to the “European periphery” on the one hand offset the cost of participation in the single market while at the same time restrained the improvement of competitiveness (as higher inflation boosted the price of domestically produced commodities). This, in general terms, was the situation that emerged as social formations that coexisted under the same monetary policy (i.e. essentially the same nominal interest rates) were on different real growth trajectories.

⁹ During the period 1995–2000 Greece experienced a real increase of GDP amounting to 61.0 per cent, Spain 56.0 per cent and Ireland 124.1 per cent, quite contrary to what happened to the more developed European economies. The GDP growth over the same time period was 19.5 per cent for Germany, 17.8 per cent for Italy and 30.8 per cent for France.

In the case of the EA, the market-based rebalancing after 2008 took the form of a typical balance of payments crisis (because of a sudden stop in financing). Thus, the financial side of the story should not be underestimated, especially in an historical era of significant cross-border financial flows. It also gives another dimension to the discussion: Current account imbalances set a vulnerable symbiosis between economies in surplus and deficit. It is a problem whose roots and consequences concern the pattern of economic symbiosis in the EA, along with the institutions that hold this symbiosis together.¹⁰

Causality in this context is a structural one: it is defined by the dynamics of economic development. This means that there are no straightforward causality relations between the two factors of the balance of payments, the current account balance and the financial (capital) balance.

4. The dangerous trade off:

More discipline in exchange for more instability

A single currency area is not identical with a zone of fixed exchange rates. One usual mistake in the relevant discussions is the following: Many scholars seem to think that EA states just peg their national currencies to the euro as if the latter was a mere foreign currency. This assumption usually leads to the most grotesque explanations. Nevertheless, the euro *is* the national currency of each and every member state of the EA. But it is more than that: It is a national currency of a peculiar kind. It is a currency without traditional central banking. And this is a major change.

In the usual nation state setting, a single national fiscal authority stands behind a single national central bank. As we know, this is not the case with the EA: there is no solid and uniform fiscal authority behind the European Central Bank (ECB). Member states issue debt in a currency that they do not control in terms of central banking.¹¹ In

¹⁰ For a more elaborated discussion of the same argument see D. P. Sotiropoulos, J. Milios, and S. Lapatsioras (2013), *A Political Economy of Contemporary Capitalism and Its Crisis: Demystifying Finance*, London and New York: Routledge.

¹¹ Under the Emergency Liquidity Assistance (ELA) – integral part of the European System of Central Banks – national central banks can in exceptional circumstances provide liquidity (against collateral) to

this context, governments will not always have the necessary liquidity to pay off bondholders. Financial stability can be thus safeguarded only through fiscal discipline, i.e. through preserving the neoliberal policy agenda.

This should not be taken as a real sacrifice on the part of sovereign states, i.e. the ruling economic elites. On the contrary, it is considered as a welcome condition for the organization of neoliberal strategies, because *the disintegration of the welfare aspect of the state can be presented by the political elites as the only route to financial stability*. Nevertheless, this institutional arrangement comes with a serious cost. The economies of the EA have voluntarily subjected themselves to elevated default risk:

When a EA government with a large amount of sovereign debt faces a change in the “mood” of the markets – that is, a re-pricing of risks associated with its assets and liabilities, possibly expressed as a sudden freezing of the inflow of capital (a liquidity crisis, let’s say) – it will experience an explosion of debt servicing costs and the derailment of its budget balance. This is bad news for debt sustainability (and financial stability). The government must immediately tighten fiscal policy in the midst of a recession (an economic recession is likely to be the result of such risk revaluation since the terms of state borrowing reflect the terms of private borrowing), communicating to the markets its ability and willingness to continue servicing its foreign debt. The government has to convince the markets that it can secure a social consensus to the neoliberal corset; or, in other words, policy makers must ensure that they can impose fiscal prudence *in the way markets dictate it, according to the mainstream line of reasoning* (securing the interests of capital). Such policies, in the midst of a recession, are not unlikely to lead to a severe crisis.

By adopting the euro as their new common currency, participating countries (i.e. their ruling classes) have made a “dangerous” choice. They have voluntarily curtailed their capacity to deploy meaningful welfare policies, subjecting themselves at the same time to a high degree of sovereign default risk. This has turned out to be a risky trade-off. A moderate exodus from the sovereign debt market (i.e. a moderate risk re-pricing) now distorts the liquidity conditions in the economy and leaves the state with distressed credit institutions under terms which are not publicly disclosed. During the recent crisis this liquidity channel was put in motion with the cases of Greece and Ireland as the most indicative examples.

only one path: fiscal tightening, high interest rates, recession, debt un-sustainability, crisis, and default. Economies that face liquidity problems in their sovereign debt markets may not go all the way down this path (given the policy responses at a European level) but, in any case, recessionary policies are the only route suggested by the existing shape of the EA. If sovereign states are massively caught by the unfortunate spin of this vortex, *crisis is just the other way to implement the neoliberal strategies*, more unorthodoxly and violently this time. European states (in other words European ruling elites) have voluntarily placed themselves in a predicament where markets can actually force them into default but this is an issue within the European policy setting.

Concluding this part of our analysis, we may say that the struggle of labour for higher wages and the rebuild of the welfare state must be supplemented by a (political) struggle to change the workings of European institutions and especially the role of the ECB.

5. The ECB as Vehicle of a Progressive Alternative

As mentioned above, austerity policies are not only unable but they actually do not mainly aim at resolving recession, high unemployment or the sovereign debt overhang in the EA. Austerity strategies use debt as means to reinforce neo-liberal reforms throughout Europe.

Technically, there are three alternative ways to deal with the problem of debt: (i) persistent primary surpluses, which cannot be achieved in an environment of falling incomes, recession and contracting demand caused by austerity programs; (ii) nominal growth rates well higher than implicit interest rates, which again cannot be the case in the present environment; (iii) unconventional policies and debt restructuring. Growth prospects are weak and fragile, in particular under the current predicament in the EA. Hence, a serious solution to the debt problem should necessarily come from debt restructuring and unconventional policies.

The case of Greece is a very good example to illustrate why a trivial debt haircut may be an inappropriate solution for debt sustainability, especially when it takes place in a deflationary environment and does not protect pension funds and individual

depositors. Furthermore, as bank balance sheets contain a significant portion of existing public debts, traditional debt write-offs will leave the economies with vulnerable financial sectors. In the worst scenario, debt write-offs will trigger a new financial crisis. Governments will need to seek resources for bank recapitalization. This would easily cancel any relief offered by the write-offs, paving the way for fundamentalist neo-liberal policies that would seek outside “help” and “supervision”, that is, would condition this outside “help” to a new austerity agenda.

A progressive European political agenda should pursue the strategy of sovereign debt restructuring in the context of a comprehensive political shift, which can create room for alternative anti-austerity policies at the European level. This political strategy should focus on the status of the ECB. There are two basic reasons for proceeding in this manner. First, the ECB is the only institution that can easily implement interventions on a massive scale in the sovereign debt market. Second, the ECB substantively faces no solvency constraint and cannot go bankrupt; it enjoys unique credibility, which hinges partially upon its ability for self-recapitalization (i.e. writing checks to itself). However, a radical change in the policy orientation of the ECB has to take place. For this to happen, a new relation of political forces in Europe is necessary.

In the wake of the crisis, monetary policies in most of the advanced capitalist economies are widely seen as “unconventional.” The ECB, like other central banks in the wake of the crisis, has been engaged in “unconventional” monetary policies, adopting the much wider range of instruments made feasible by its balance sheet. Nevertheless, unconventional monetary policies can be effective only when executed by conventional central banks. This describes the trap that the ECB has fallen into. The ECB is called on to take unconventional action while lacking the institutional standard tools of conventional central banking.

The ECB has expanded its balance sheet by taking on long-term refinancing operations. Practically, these are liquidity injections into the financial sector equivalent to the quantitative easing pursued by the Fed and the Bank of England.

This type of liquidity injection to the financial sector has been primarily absorbed by the banking systems. However, liquidity seeks for safe havens, eventually flowing to the core economies as is obvious from the deposit drains and the

cumulative TARGET2 imbalances. Large portions of this liquidity thus return as overnight deposits to the ECB. Bank loans are contracting in the economies under recession while domestic banking sectors are increasing their exposure to sovereign debt that cannot be purchased by the ECB. It is quite obvious that the bond purchase program of the ECB and the liquidity provision (co-opting banks into securing funds for fiscal distressed governments) is not enough to deal with the problem. The different financial tiers that emerge within the EA undermine the results of the ECB monetary interventions.

ECB monetary policy is thus not expansionary enough, not unconventional enough and is implemented in a heterogeneous context that undermines its effectiveness, having significant effects on demand, growth, and employment. This framework is only suitable for the continuation of austerity policies that reorganize European societies according to the neo-liberal agenda and the interests of capital.

While the aim of this paper is not to go through the details of an alternative progressive plan as regards the ECB, the basic principles of a past co-authored analysis on dealing with the EA debt overhang can be outlined here:¹²

Our proposal can be summarized by the phrase: *suspend the debt burden for five years, overthrow austerity forever*. At a technical level, it can take many alternative versions but it is based on the economic firepower of the ECB to curtail the workings of financial markets, thus securing a vital fiscal space for the development of alternative welfare policies.

The ECB undertakes the long-term management of a significant part of the EA sovereign debt, without direct fiscal transfers and without any actual upfront haircut.

The ECB acquires and capitalizes in the form of zero-coupon bonds (i) debt maturing in the years 2016–2020 and (ii) all interest payments of the same period. In other words, the debt burden will be suspended for five years. This amounts about to 55% of the outstanding Spanish debt. *To be taken as the rule for all EA countries*. Each EA country agrees to buy back from the ECB the zero-coupon bonds when their values will have been reduced to 20% of GDP, jointly accepting a (nominal) discounting rate of 1%. (In case of a restructuring of the Greek sovereign debt, the issuing of an ESM-backed Greek Government Bond will be necessary).

¹² D. P. Sotiropoulos, J. Milios, and S. Lapatsioras (2014), “An Outline of a Progressive Resolution to the Euro-area Sovereign Debt Overhang: How a Five-year Suspension of the Debt Burden Could Overthrow Austerity”, Levy Economics Institute of Bard College, Working Paper No 819. http://users.ntua.gr/jmilios/wp_819.pdf

This model of an unconventional monetary intervention would give progressive governments in the EA the necessary basis for developing social and welfare policies to the benefit of the working classes. It would reverse present-day policy priorities and replace the neoliberal agenda with a program of social and economic reconstruction, with the elites paying for the crisis. The perspective taken here favours social justice and coherence, having as its priority the social needs and the interests of the working majority.

Our proposal hangs austerity forever at an overall cost which is much lower than the private sector quantitative easing already undertaken by the ECB. It thus offers a powerful economic argument to progressive political forces: We will not sacrifice the welfare state to debt. The European social model must be re-founded!

11/16/2015

Eurostat - Tables, Graphs and Maps Interface (TGM) table print preview

General government gross debt - annual data*Percentage of gross domestic product (GDP)*

geo	time	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Euro area (19 countries)		68.1	68.4	69.2	67.3	64.9	68.5	78.3	83.8	86	89.3	91.1	92.1
Euro area (18 countries)		68.2	68.5	69.3	67.4	65.1	68.7	78.5	84	86.1	89.5	91.3	92.3
EU (28 countries)		60.7	61.2	61.8	60.4	57.8	61	73	78.4	81	83.8	85.5	86.8
EU (27 countries)		60.8	61.3	61.9	60.5	57.9	61	73.1	78.5	81.1	83.8	85.5	86.8
Belgium		101.1	96.5	94.6	90.9	86.9	92.4	99.5	99.6	102.2	104.1	105.1	106.7
Bulgaria		43.5	35.8	26.6	20.9	16.2	13	13.7	15.5	15.3	17.6	18	27
Czech Republic		28.1	28.5	28	27.9	27.8	28.7	34.1	38.2	39.9	44.7	45.2	42.7
Denmark		46.2	44.2	37.4	31.5	27.3	33.4	40.4	42.9	46.4	45.6	45	45.1
Germany		63	64.7	66.9	66.4	63.6	65	72.5	81	78.4	79.7	77.4	74.9
Estonia		5.6	5.1	4.5	4.4	3.7	4.5	7	6.6	5.9	9.5	9.9	10.4
Ireland		29.9	28.2	26.1	23.6	23.9	42.4	61.8	86.8	109.3	120.2	120	107.5
Greece		101.2	102.7	107.3	103.5	103.1	109.4	126.7	146.2	172	159.4	177	178.6
Spain		47.6	45.3	42.3	38.9	35.5	39.4	52.7	60.1	69.5	85.4	93.7	99.3
France		64.2	65.7	67.2	64.4	64.4	68.1	79	81.7	85.2	89.6	92.3	95.6
Croatia		37.5	39.8	40.7	38.3	37.1	38.9	48	57	63.7	69.2	80.8	85.1
Italy		100.4	100	101.9	102.5	99.7	102.3	112.5	115.3	116.4	123.2	128.8	132.3
Cyprus		63.5	64.5	63.2	59.1	53.9	45.1	53.9	56.3	65.8	79.3	102.5	108.2
Latvia		13.9	14.3	11.8	9.9	8.4	18.7	36.6	47.5	42.8	41.4	39.1	40.6
Lithuania		20.4	18.7	17.6	17.2	15.9	14.6	29	36.2	37.2	39.8	38.8	40.7
Luxembourg		6.4	6.5	6.3	7	7.2	14.4	15.5	19.6	19.2	22.1	23.4	23
Hungary		57.6	58.5	60.5	64.7	65.6	71.6	78	80.6	80.8	78.3	76.8	76.2
Malta		69.1	72	70.1	64.6	62.4	62.7	67.8	67.6	69.8	67.6	69.6	68.3
Netherlands		49.3	49.6	48.9	44.5	42.4	54.5	56.5	59	61.7	66.4	67.9	68.2
Austria		65.5	64.8	68.3	67	64.8	68.5	79.7	82.4	82.2	81.6	80.8	84.2
Poland		46.6	45.3	46.7	47.1	44.2	46.6	49.8	53.3	54.4	54	55.9	50.4
Portugal		58.7	62	67.4	69.2	68.4	71.7	83.6	96.2	111.4	126.2	129	130.2
Romania		21.3	18.6	15.7	12.3	12.7	13.2	23.2	29.9	34.2	37.4	38	39.9
Slovenia		26.7	26.8	26.3	26	22.7	21.6	34.5	38.2	46.4	53.7	70.8	80.8
Slovakia		41.6	40.6	33.9	30.8	29.9	28.2	36	40.8	43.3	51.9	54.6	53.5
Finland		42.8	42.7	40	38.2	34	32.7	41.7	47.1	48.5	52.9	55.6	59.3
Sweden		48.9	47.9	48.2	43.2	38.3	36.8	40.4	37.6	36.9	37.2	39.8	44.9
United Kingdom		37.3	40.2	41.5	42.4	43.5	51.7	65.7	76.6	81.8	85.3	86.2	88.2
Norway		:	:	:	:	:	:	:	:	27.5	29.2	29.3	26.6

:=not available

Source of Data Eurostat

Last update: 11.11.2015

Date of extraction: 16 Nov 2015 12:42:00 CET

Hyperlink to the table: <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=teina225>General Disclaimer of the EC website: http://ec.europa.eu/geninfo/legal_notices_en.htm

Short Description: The indicator is defined (in the Maastricht Treaty) as consolidated general government gross debt at nominal (face) value, outstanding at the end of the year in the following categories of government liabilities (as defined in ESA2010): currency and deposits, debt securities and loans. The general government sector comprises the subsectors: central government, state government, local government and social security funds.

Code: teina225

<http://ec.europa.eu/eurostat/tgm/printTable.do?tab=table&plugin=1&language=en&pcode=teina225&printPreview=true>

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Table 1: Debt to GDP ratio for EU and EA countries (2003-2014).

Assessing the impact of austerity in the Greek economy: A sectoral balances approach

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Christos Pierros²

Abstract. The principal goal of the Economic Adjustment Programmes applied in Greece since 2010 was the elimination of the economy's so-called 'dual deficit problem' by a mix of austerity and internal devaluation measures. This policy prescription was originally expected to put the country's public debt back on a sustainable track and boost the competitiveness of the Greek productive sector, promoting export-led growth. Whereas the implemented policy agenda resulted in a sharp reduction in fiscal deficit and unit labour costs, Greece still faces a high creditworthiness risk, lackluster export growth and a gloomy macroeconomic outlook. The root cause of the failure could arguably be found in the detrimental impact of austerity on private sector performance and the ensuing repercussions in the aggregate economy. The paper aims at proposing an alternative framework of explaining and assessing the cost of creditors' policy, pointing out the way that it has undermined the quality of private sector's balance sheet and disturbed intersectoral linkages and interdependencies within the economy, eventually engulfing the entire economy in a debt-deflation trap.

Keywords: Fiscal Consolidation, Sectoral Imbalances, Recession, Financial Stability

JEL Classification: E21, E22, F32, H31, H32

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1. Introduction

The principal goal of the Economic Adjustment Programmes (EAPs) applied in Greece since 2010 was the elimination of the economy's so-called 'dual deficit problem' by a mix of austerity and internal devaluation measures. This policy prescription was originally expected to put the country's public debt back on a sustainable track and boost the competitiveness of the Greek productive sector, thereby promoting export-led growth. Whereas the implemented policy agenda has resulted in a sharp reduction in fiscal deficit and unit labour costs, Greece still faces a high creditworthiness risk, lacklustre export growth and a gloomy macroeconomic outlook. This paper attempts to explain the failure of creditors' policy agenda in view of the profound transformations it has unleashed upon the economy's sectoral balances and the macroeconomic implications of this process. We argue that balancing public finances through austerity is neither an optimal nor a feasible policy option for crowding in private spending and thereby reviving economic growth in Greece. By contrast, austerity has harshly impaired private sector's balance sheet and disturbed inter-sectoral linkages within the Greek economy, eventually engulfing the economy as a whole in a full-blown debt-deflation trap. This does not only account for the prolonged recession experienced the country since the introduction of EAPs. It has also severely undermined Greece's long-run growth and development prospects, harshly damaging its economy's productive potential.

The remaining paper is structured as follows. In section 2, we briefly describe how economic units' financial balances are closely intertwined within modern-day economies and investigate the way through which policy-induced changes in inter-sectoral balance sheets define the underlying macroeconomic and financial conditions

in a country. In so doing, we try to build an analytical framework for providing insights on the effects of austerity in Greece. In section 3, we present empirical evidence of the adverse effects of fiscal austerity on private sector behaviour with a view to assessing the potential impact of EAPs on the aggregate macroeconomic performance in the country. Section 4 analyses private sectors' balance sheet adjustment in Greece over the macroeconomic adjustment period and critically evaluates its implications on both short- and long-run growth dynamics of the Greek economy. Finally, section 5 concludes and summarises the main argument of the paper.

2. Austerity and inter-sectoral balance sheet adjustment

Modern economies are nothing more but complex monetary production systems (Wray, 2011). Monetary aspects arise from the pivotal role of financial contracts in fostering investment, creating income streams essential to meet debt obligations and shaping financial conditions. Complexity, on the other hand, arises from the fundamental uncertainty surrounding any debt settlement agreement and the multitude of economic agents involved in the process. Finance, uncertainty and economic units' cash flows are therefore closely intertwined with macroeconomic stability and growth dynamics. In periods of economic stability, an adequately high actual (or expected) cash flow improves units' solvency prospects, thereby permitting the financing of an expanding level of production on reasonable terms. In crisis periods, generating sufficiently high income flows towards economic units becomes an indispensable

prerequisite for restoring financial stability and reviving growth.³ In this system, sectoral balance sheet adjustments do not emerge in isolation, but under conditions of interconnectivity and independence.

In order to present such complex interrelationships we make use of the accounting equation that links the financial balances of the main sectors of the economy. Drawing on Hein and Truger (2014), sectoral balances can be presented by the following formula:

$$(S-I) + (T-G) = (X-M) \quad (1)$$

where (S-I) denotes the private sectors excess savings (S) over investment (I), T-G indicates the excess of total tax revenue (T) over government spending (G) and (X-M) displays the net financial position of the external sector, i.e. net exports.

The abovementioned formula provides valuable insights into the inter-sectoral balance sheet relations existing within any given economy and the channels through which economic policy is likely to influence them. Equation (1) merely informs that, for a given level of aggregate spending and income in the economy, the capacity of one single sector to modify its financial balance autonomously hinges on the readiness and responsiveness of the remaining two sectors to properly adjust their spending patterns so that together register a net financial balance of the opposite sign. For example, if the private sector needs to save more ($S > I$) to lessen its debt burden, then both the public and external sector must jointly list at their financial position a deficit of an equal size. Accordingly, excessive private spending ($S < I$) entails a positive amount of net savings

³ See Argitis and Nikolaidi (2011).

in the other two sectors. In this constellation, inter-sectoral mismatches concerning the preferred direction of balance sheet adjustment may exist, but imbalances not. Balance is always and everywhere restored through two channels: either through mutually compensating adjustments among sectors or through changes in aggregate output (Semieniuk et al., 2011).⁴

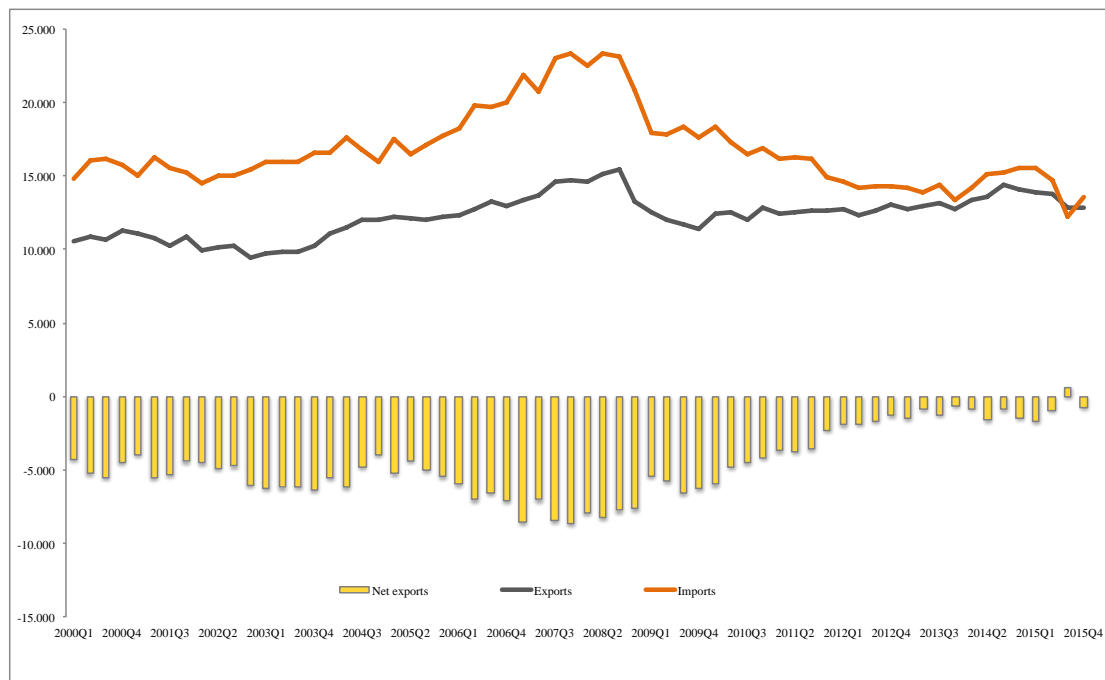
It is exactly this phenomenon that brings policy-making into play and makes austerity relevant to the macroeconomic and financial performance of a country. As known, budgetary austerity implies public spending cuts and increased tax burdens. The ultimate objective is to bring fiscal balance into equilibrium, arrest debt dynamics and thereby restore market confidence on the long-run sustainability of public finances (see IMF, 2010). Achieving this target, however, presupposes sufficient levels of aggregate demand in the economy in order for the total volume of tax revenue to remain intact and guarantee public sector's excess saving and improved solvency status. Yet, in an open economy framework, this can only be attained if the private and the external sector run a deficit in their overall financial balance. The magnitude of the deficit shall also be such as to balance out dampened demand due to austerity and keep income levels afloat (Kregel, 2015). This condition, in turn, brings into the fore the crucial role of export competitiveness as a tool of macroeconomic stabilisation.

Admittedly, this role is implicitly recognised by the adjustment programmes imposed on the Eurozone's periphery over the last few years. In fact, according to the internal devaluation strategy, labour cost reductions are required to reduce export prices and thereby revive external demand (Lizoain, 2013). What is not recognised, however, is that this approach lacks sound theoretical foundations and contradicts with the growth

⁴ See also Kregel (2015) for a similar presentation along these lines.

model of the Greek economy (INE GSEE, 2015). There are several reasons why this happens. One is that in ‘real world’ economies prices are principally determined by firms’ profit margins and the degree of market competition. As such, wage squeeze is hardly possible to translate into sizeable, if any, gains in price competitiveness. This is especially true for Greece, where oligopolistic market structures are particularly widespread and resilient (ibid). In addition, a country’s competitiveness and export growth appear more responsive to the quality of its export products, the policy stance of its trading partners (ETUI, 2015) and its openness to world trade (Theodoropoulou, 2016). Against this backdrop, it appears unreasonable to anticipate a dynamic rebound of external demand in economies like Greece, marked by poor innovative capacity and outward-looking orientation, especially under the current deflationary environment in the EU. In fact, empirical evidence suggests that, despite the wide-ranging deregulation measures implemented in Greece since 2010, export performance has been particularly feeble. Any correction in external balance has been instead the result of imports contraction in the face of deficient internal demand and tenacious deflationary conditions (see Figure 1).

Figure 1: Volume of exports, imports and net exports of goods and services (Greece, 2000Q1-2015Q4, million euros, reference year: 2010)



Source: Eurostat (May 2016)

Thus, lacklustre export performance severely confines the path of balance sheet adjustment in the domestic economy, as well as the range and success of policy choices in place. In fact, Greece's fiscal commitments⁵ and deficient export competitiveness imply that the burden of macroeconomic adjustment will inevitably be passed to the private sector. This, however, makes the success of the whole process heavily reliant on the specific conditions prevailing in the economy. Whereas in times of thriving demand and stable expectations the private sector could potentially spend more to offset the economic contraction caused by fiscal tightening, this may not apply in times of crisis. In the latter case, the prospect for a smooth balance sheet adjustment

⁵ Note that according to the third Memorandum of Understanding (MoU) between Greece and its creditors, the Greek government is committed to reaching a primary fiscal balance-to-GDP target of -0.25% in 2015, 0.5% in 2016, 1.75% in 2017 and 3.5% in 2018 and beyond.

without income and job losses crucially depends on whether fiscal austerity cultivates adequate conditions that in turn would allow the private sector to expand. This is the second crucial macroeconomic assumption underlying the EU/IMF adjustment programmes, the validity of which we attempt to assess in the following section.

3. The effects of fiscal austerity on private sector performance

A core idea of the adjustment programmes imposed in Greece is that front-loaded austerity is crucial for restoring fiscal balance and long-term debt sustainability. Being an element of the so-called ‘Frankfurt-Brussels’ consensus (Sapir and van de Noord, 2004) and a keystone of the EMU’s fiscal regime (ECB, 2006), this idea is vindicated on the allegedly expansionary effects of fiscal consolidation (Alesina, 2010). According to this view, not only do strong and persistent consolidation measures not depress the level of economic activity and employment. They may also favourably impact private consumption, investment and growth, by signalling a reduction in tax burdens and governments’ borrowing costs in the imminent future. As a matter of fact, ‘non-Keynesian’ confidence effects tend to dominate in the economy (see Afonso, 2006), with private sector spending behaviour overcompensating for any detrimental effect of austerity on jobs and growth dynamics.⁶

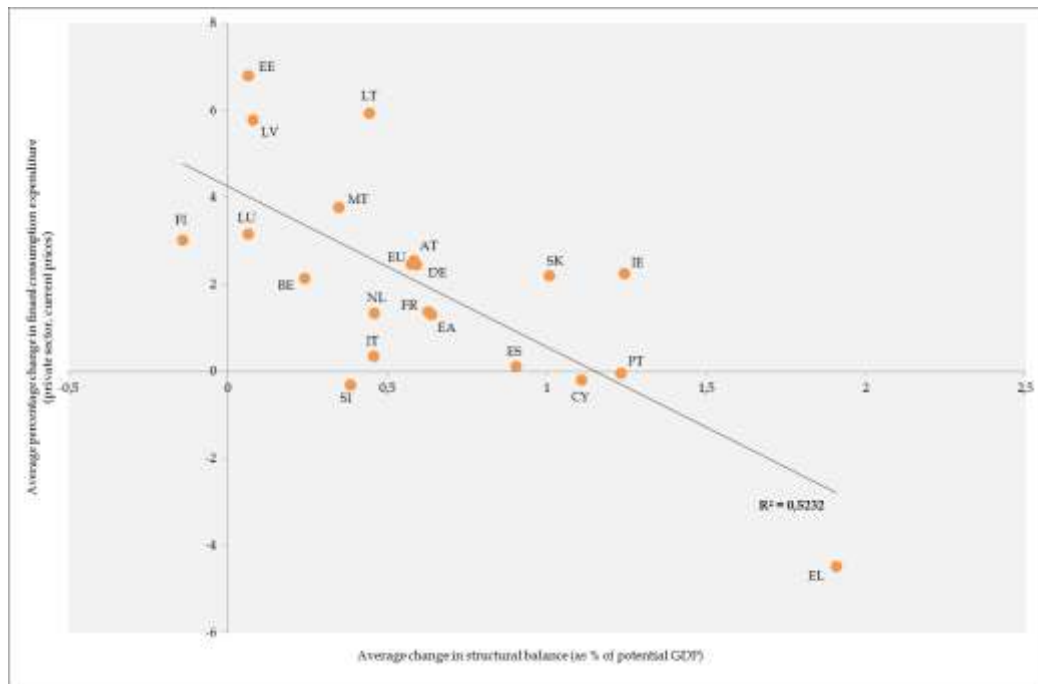
Do statistical data provide justification to this conventional argument? Evidently, they do not. Figure 2, for instance, traces the correlation between the average size of fiscal consolidation and the corresponding percentage change in private consumption for the period 2011-2015 across Eurozone member states. It is apparent that fiscal discipline

⁶ See also Afonso (2006) for an empirical investigation of this effect across the EU economies.

is adversely related to private consumption. Hence, contrary to the standard theorisation, bridging fiscal imbalances through austerity curbs, rather than stimulates, households' expenditure. This evidence comes as no surprise bearing in mind that austerity turns a blind eye to the critical role of deficit spending as a stabiliser of employment and private sector's liquidity, especially in phases of economic downturn and financial distress. Therefore, in such conditions, any attempt to restrain public expenditure tends to depress employment and exacerbate solvency problems that both drive consumption down. Moreover, public spending cuts typically raise social precariousness. This induces households to save more (EPSU, 2014), thereby reinforcing the contractive effect of austerity on private consumption.⁷ On top of that, consolidation plans usually bring with them reductions in public sector wages with negative spillovers to the wage-setting process in the private sector. This not only suffocates directly consumer spending. As long as private consumption represents an important, if not the most important, determinant of aggregate demand (Onaran, 2015), it also negatively feeds back on employment, ultimately endangering a vicious spiral of depressed consumption, employment and growth.

⁷ See also van Treeck (2013) on the effect of austerity on precautionary saving.

Figure 2: Fiscal stance and private consumption in the EU, Eurozone and EMU member states (2011-2015)

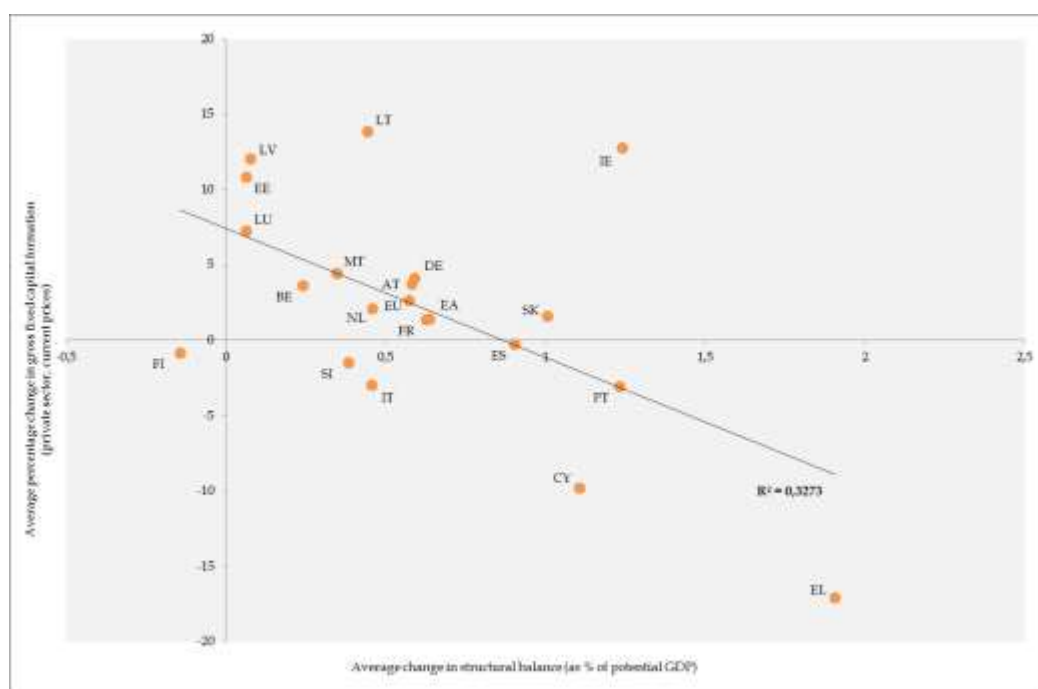


Source: AMECO (February 2016)

Given the abovementioned finding, there is no convincing reason to anticipate that lower deficits tend to improve private investment performance, either. In fact, as displayed in Figure 3, there is a clear trade-off relationship between the scale of fiscal adjustment and private investment over the last six years. This is sensible as government spending not only produces liabilities, but also expands internal demand (De Grauwe, 2014), thereby making private investment more attractive and profitable (Collignon, 2013a). This ‘crowd-in’ effect of fiscal policy becomes more acute in turbulent times, as the current ones, when economic outlook darkens, confidence ebbs away and the credit channel breaks down. Under such circumstances, fiscal austerity is clearly a self-defeating strategy for placating investors’ sentiment. Reducing the level

of internal demand and private sector's cash flows, it further weakens profit expectations, thereby dis-incentivising investment (Keynes, 1936).

Figure 3: Fiscal stance and private investment in the EU, Eurozone and EMU member states (2011-2015)

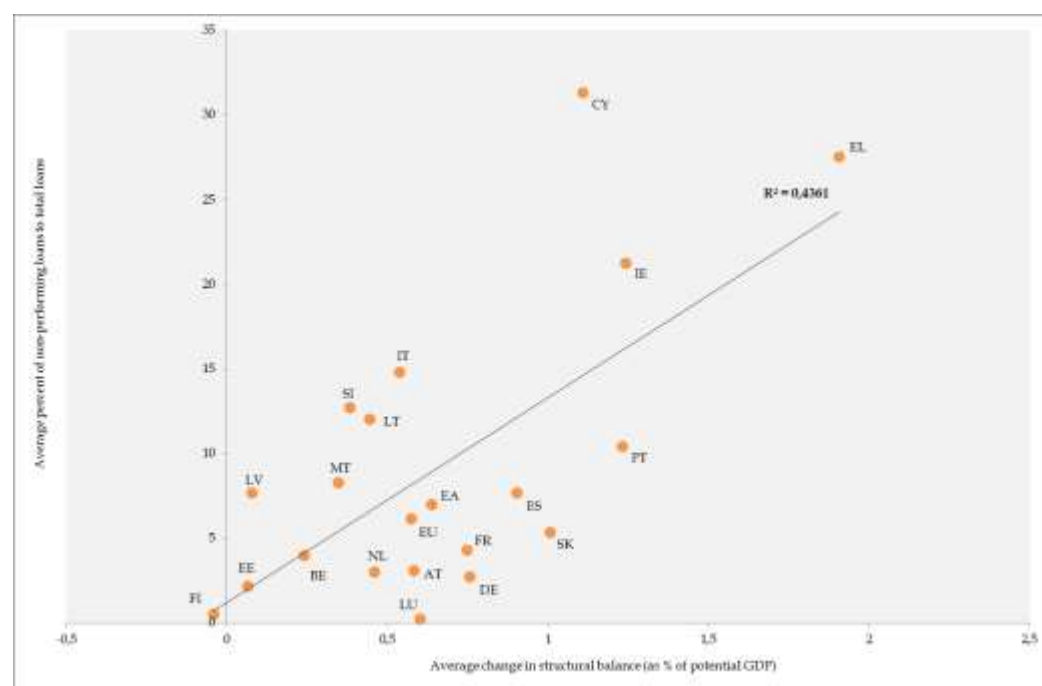


Source: AMECO (February 2016)

Critical to note is that the harmful impact of austerity on investment becomes even more daunting in view of the role of investment as a driver of private profits and the growing shareholder value orientation of modern management that squeezes firms' internal means of financing investment (Stockhammer, 2008). Besides this, austerity not only neglects the role of public spending in fostering private investment. It also undermines economic development and technological progress and thus the economy's growth potential (Collignon, 2013b). The latter effect is of utmost importance for the Greek economy, given its lacking productive capacity and the long-

standing inability of Greek entrepreneurship to undertake innovative investment projects (Argitis, 2008 and Papagiannakis, 2008).

Figure 4: Fiscal stance and the ratio of non-performing loans to total loans in the EU, Eurozone and EMU member states (2011-2015)



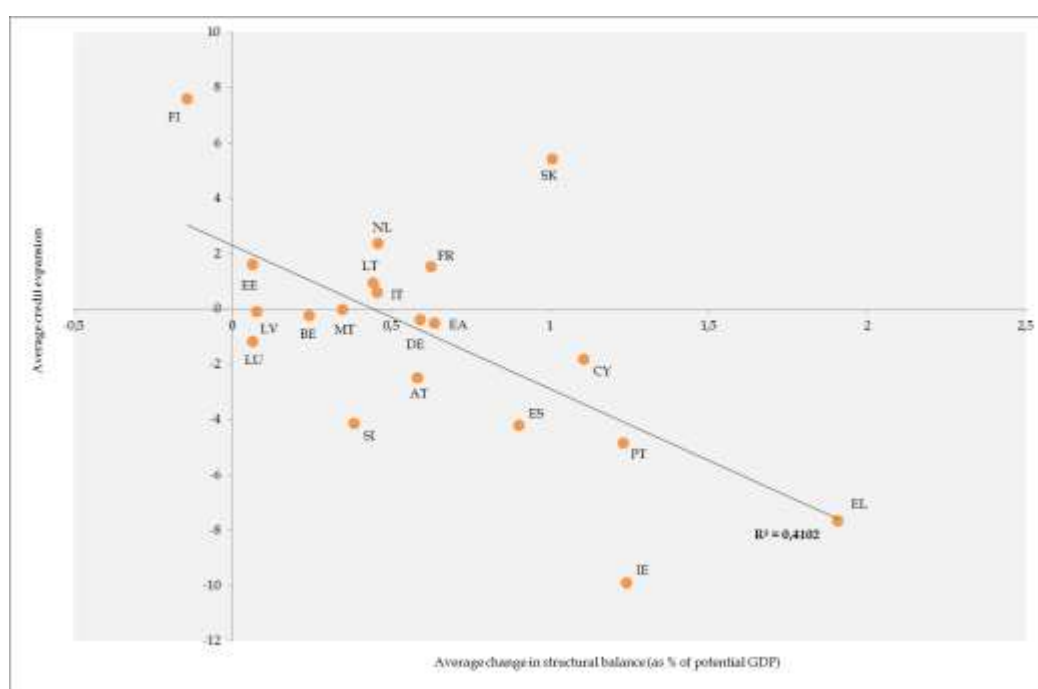
Source: AMECO (February, 2016), World Bank

Note: For Germany, France and Italy: 2011-2014 instead of 2011-2015; for Luxembourg: 2011-2013 instead of 2011-2015; and for Finland: 2011-2012 instead of 2011-2015.

Another channel through which austerity discourages private spending refers to its effects on the private sector's financial profile. The austerity-driven rise in unemployment, wage compression and tight liquidity conditions have all severely undermined the financial structure of basic units of the economy, entrapping them in a state of insolvency and high default risk. This development is partially captured in Figure 4 that illustrates the worrisome evolution of the number of non-performing loans (NPLs) to total loans over the period 2011-2015 across EMU member states. From the data set it is clearly presented the skyrocketed surge of the ratio of NPLs in

the peripheral economies, as well as the significant contribution of the dominant austerity policy to unleashing this phenomenon. It is important to note that this jump in NPLs in the countries hit the hardest by austerity directly threatens the health of their national financial sector because it weakens banks' balance sheets and thereby impedes credit expansion. In this manner, austerity suppresses further private spending and effectively disseminates solvency problems to the entire macroeconomic and financial structure.⁸

Figure 5: Fiscal stance and credit expansion in the EU, Eurozone and EMU member states (2011-2015)



Source: AMECO (February, 2016)

In fact, an important corollary of this trend has been the marked deceleration of credit flows over the years of relentless austerity. As exposed in Figure 5, the average growth of bank loans has registered a negative correlation with the size of fiscal drag during

⁸ In the next section, we further elaborate this issue in the case of the Greek economy.

2011-2015, with the steepest fall of credit supply observed, as expected, in the peripheral economies. However, apart from the volume of credit supply, strained financial climate and impaired balance sheets have also adversely impinge on lending cost, with loan rates being constantly higher in the periphery compared to core EMU economies since 2011, amidst diverging inflationary dynamics and demand conditions (iAGS, 2015). All these developments arise from the deflationary impact of pro-cyclical fiscal tightening, that lifts the real value of private debt and inhibits deleveraging and private spending. They also reflect an alarming break of the transmission mechanism of the ECB's monetary policy. Common policy rates are translated into different real interest rates across member states, thereby entrenching solvency constraints and stagnation in the periphery. In doing so, the austerity-driven recession reinforces diverging dynamics in terms of growth and macroeconomic stabilisation within the Euro area (iAGS, 2015).

In the light of the data set above, it appears that the purported expansionary outcome of fiscal discipline remains more a wishful thinking than a stylised fact. Instead of boosting private sector's confidence and expenditure, austerity exacerbates uncertainty and forces the private sector to economise, prolonging recession and financial instability. In the context of our analysis, this implies that fiscal austerity does not create incentives for the private sector to fully compensate for the contractive impact of consolidation efforts. The predicated result is therefore that macroeconomic adjustment will unavoidably stem from the drop in aggregate demand, employment, income and savings. This, however, will likely make things worse, eventually culminating in a self-reinforcing process of recession and financial instability, which will aggravate the economy's fiscal profile and long-term dynamics.

4. The impact of austerity on the private sector's balance sheet in Greece

The aforementioned analysis is coherently presented in the developments of the financial balances of the institutional sectors triggered by the imposition of the austerity regime in Greece. Figure 6 provides an overview of how the financial balance of each economic sector has evolved in the period between 2006 and 2015. Looking at the data, two main elements deserve particular attention. First, it is clearly evident that the sum of all financial balances equals to zero, since the surplus of one sector corresponds to the deficit of another sector (see equation 1). Second, in the period preceding the crisis both the government and private sector have been at a deficit net financial position, whereas the external sector's financial balance has been in surplus. This evidence mirrors, and indeed is fully consistent with the domestic demand-led growth model prevailed in Greece in the years before the crisis, with public sector's deficits and private spending essentially constituting the primary demand engines of the Greek economy.⁹

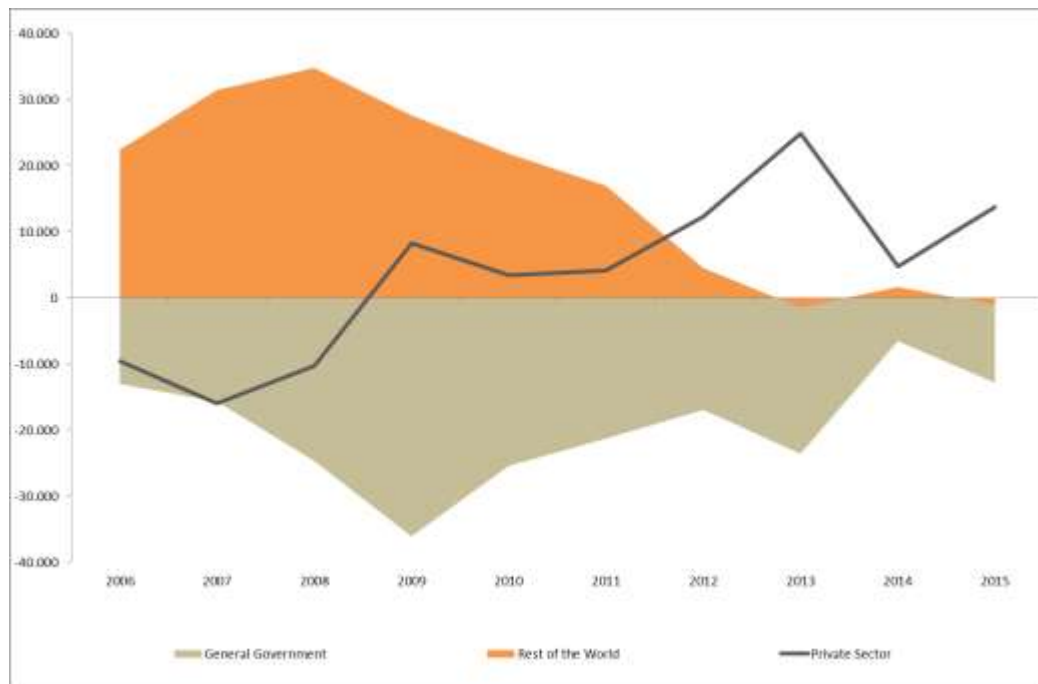
Nonetheless, things have profoundly modified with the advent of the global financial crash in 2007/2008 and the application of creditors' policy strategy thereafter. On the one hand, following the 2008/2009 fiscal breakdown spurred by the steep plunge in economic activity, austerity has succeeded in delivering an astonishing fiscal adjustment in the country, shrinking the hitherto excessively high deficit of the public sector. This improvement has not, yet, been compensated by an adequate adjustment of the private sector's spending behaviour vital to sustain the level of aggregate demand in the economy. In fact, the private sector has restrained its aggregate

⁹ For a similar discussion on balance sheet developments in the Greek economy, see INE GSEE (2016).

expenditure, swiftly shifting its financial balance to a net positive position due to deleveraging and the abrupt interruption of income flows spawned by austerity in the period under consideration. Furthermore, whereas the surplus of the external sector has smoothed out since the start of the macro adjustment period, this fact can hardly be attributed to the enhancement of the economy's productive capacity and export competitiveness. As already stressed, the correction of the country's external imbalance has largely been driven by the sharp reduction in imports volume in the face of falling internal demand and economic slump (see Figure 1).

It is therefore apparent that austerity, along with the internal devaluation strategy, has virtually curtailed some of the most valuable sources of demand stimulus to the economy. Sensibly, this undesirable consequence of austerity measures is not only to blame for producing the unparalleled in scale socio-economic disruption experiencing Greece over the last seven years. More alarming, it has also propelled deep-seated ramifications in the economic behaviour and financial profile of each sub-sector of the economy, thereby mitigating amplified uncertainty and instability in the entire macroeconomic system and thus circumscribing any real potential for sustainable and inclusive recovery in the country.

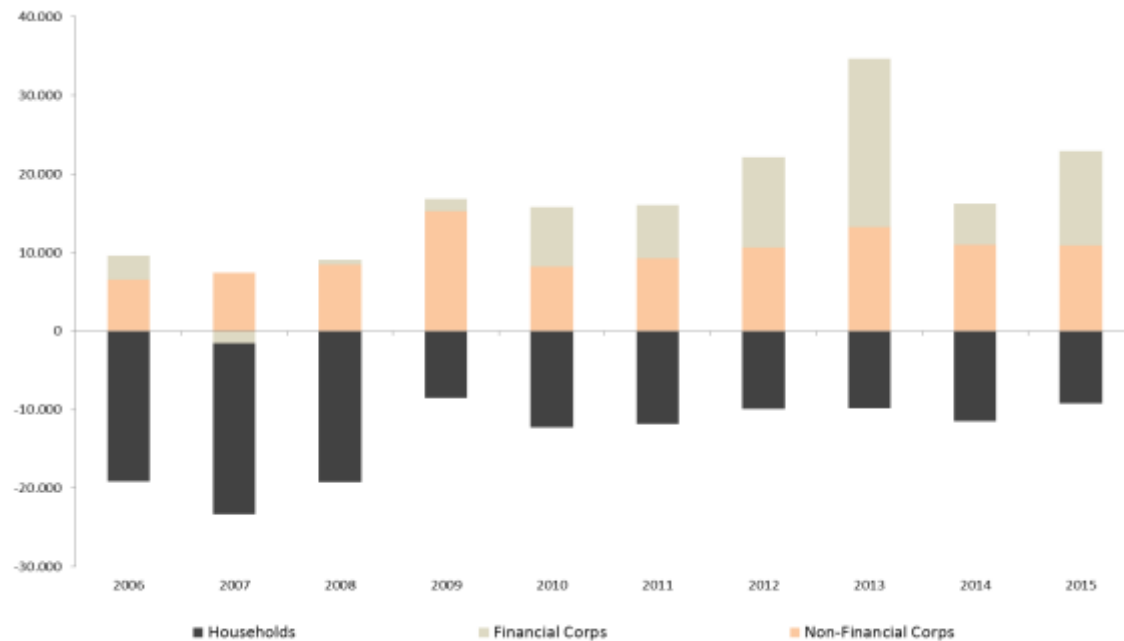
Figure 6: Sectoral financial balances in Greece (2006-2015, million euros)



Source: Eurostat

A clear picture of the changes brought about by the austerity regime can be drawn by Figure 7 that breaks up the aggregate financial balance of the private sector into its three constitutive components, i.e. households, non-financial corporations (NFCs) and financial institutions. From Figure 7, it follows straightforwardly that the observed V-shaped trajectory of the private sector's financial balance can plausibly be explained by the increase in both NFCs' and financial institutions' savings, as well as by the improvement of the household sector's financial balance from 2009 and on. This picture clearly differs from what has been occurred before 2009, when Greek households have held a sizably negative net financial asset position. As a result, during the pre-crisis period business sector's economic activity has been funded by the public and household sectors' deficit, a condition that has been forcibly altered after 2010 due to the economic recession and the austerity policy.

Figure 7: Intra-sectoral financial balances (private sector, 2006-2015, million euros)



Source: Eurostat

This evidence appears fairly puzzling, being at odds with Kaldor and Bama's (1944) view that households usually hold a net lending position, whereas firms a net borrowing position. In what follows, we tried to provide a reasonable answer to this paradox by looking in a much more detail the evolution of NFCs' and households' financial balances, as well as the factors that have contributed to their developments both before and during the crisis. The reason for focusing almost exclusively on households and NFCs' financial balances, leaving aside the financial sector, is two-fold. First, the financial sector, due to its very function and role in the economy, typically registers positive financial balance. As a result, changes in its financial balance will not add much to our understanding about the impact of austerity on the private sector spending behaviour during the crisis period. Second, and related to the

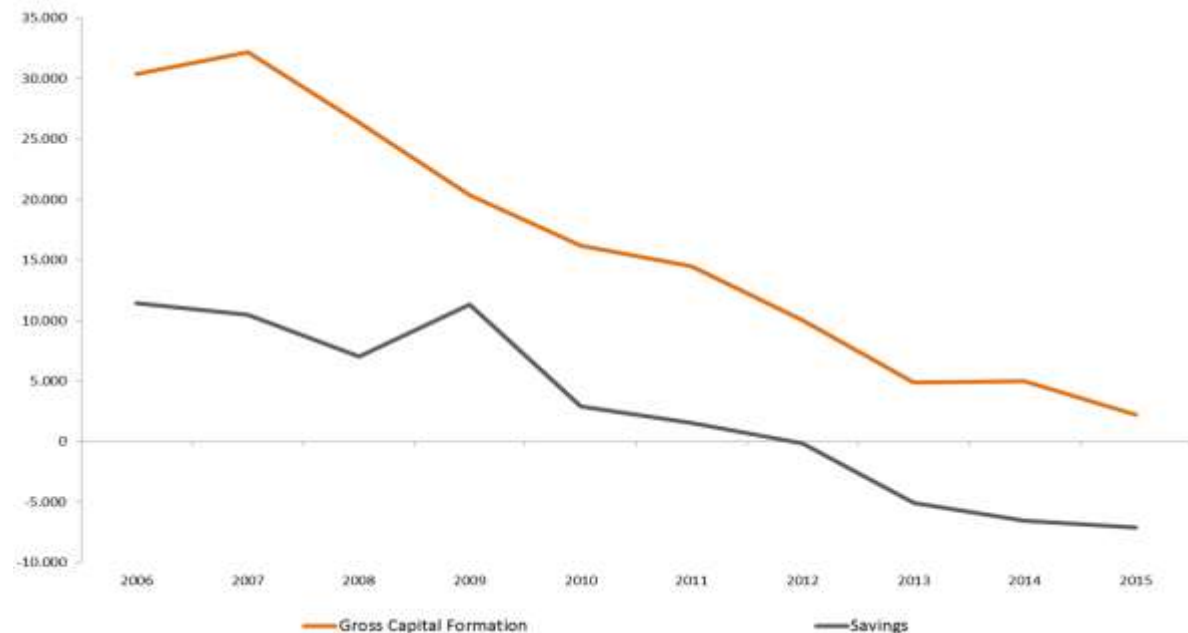
previous assertion, we are interested in looking on how austerity has influenced financial balance developments in the ‘real-side’ of the economy, particularly on whether the regime of austerity has eventually induced private sector to expand or not.

4.1 Household income depression and deleveraging

The financial balance of households depends on the difference between gross savings and gross capital formation, provided that the net capital transfers are negligible.¹⁰ Figure 8 presents the evolution of the balance sheet position of the Greek household sector for the period 2006-2015. As is evident, households have run a deficit in their overall financial balance over the entire period under examination. However, the improvement of households’ financial balance in recent years has been the result of the narrowing of the gap between savings and investments, which both nevertheless follow a simultaneous declining trend. During the period of austerity not only households’ investment, but also households’ savings have collapsed. In this respect, a matter of utmost importance is that from 2013 the negative financial balance of the Greek household sector has primarily been mostly due to an ever increasing volume of negative savings. As argued below, this trend has created serious macroeconomic and financial implications, which lie at the heart of the undergoing economic and financial distress in the country.

¹⁰ According to the European System of Accounts, net saving is given from the difference between savings and investment, while the net lending/net borrowing position occurs after subtracting net capital transfers from net savings.

Figure 8: Gross capital formation and savings of households in Greece (2006-2015, million euros)

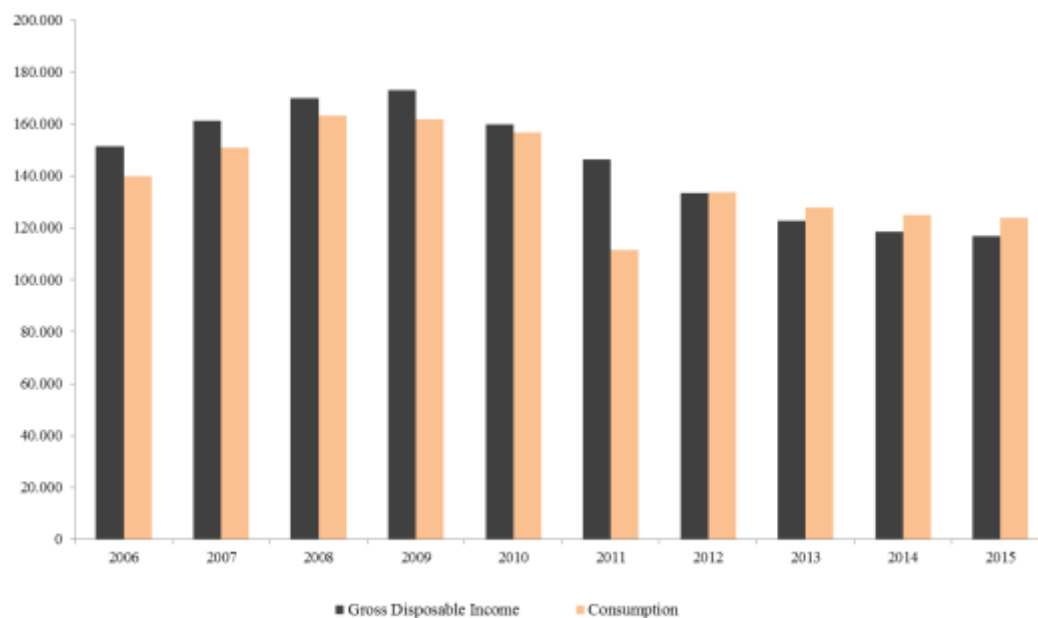


Source: Eurostat

Such implications can be explained by Figure 9 that presents the evolution of households' consumption and gross disposable income during the period 2006-2015. As can be seen, in 2009 households' disposable income has begun to decline as economic recession started to bite, and it has continued to do so subsequently following the dramatic rise of unemployment and the introduction of harsh austerity measures, typically tax hikes. A similar downward pattern is observed for households' consumption, which between 2008 and 2015 has registered a decline of 24 percentage points. It is notable that the decline of household consumption has been more modest than that of disposable income, thereby contributing to the squeeze of households' savings. What is more, from 2013 onwards the fall of private consumption has begun to wind down, with its level eventually exceeding that of disposable income. This development highlights households' efforts to maintain consumption and standards of

living at a descent level in an environment of steadily declining disposable income and savings caused by austerity. Nevertheless, the reduction in households' income has produced further effects in the Greek economy that can also explain the economic decline and financial instability prevailed in Greece under the regime of fiscal austerity.

Figure 9: Households' disposable income and consumption (2006-2015, million euros)

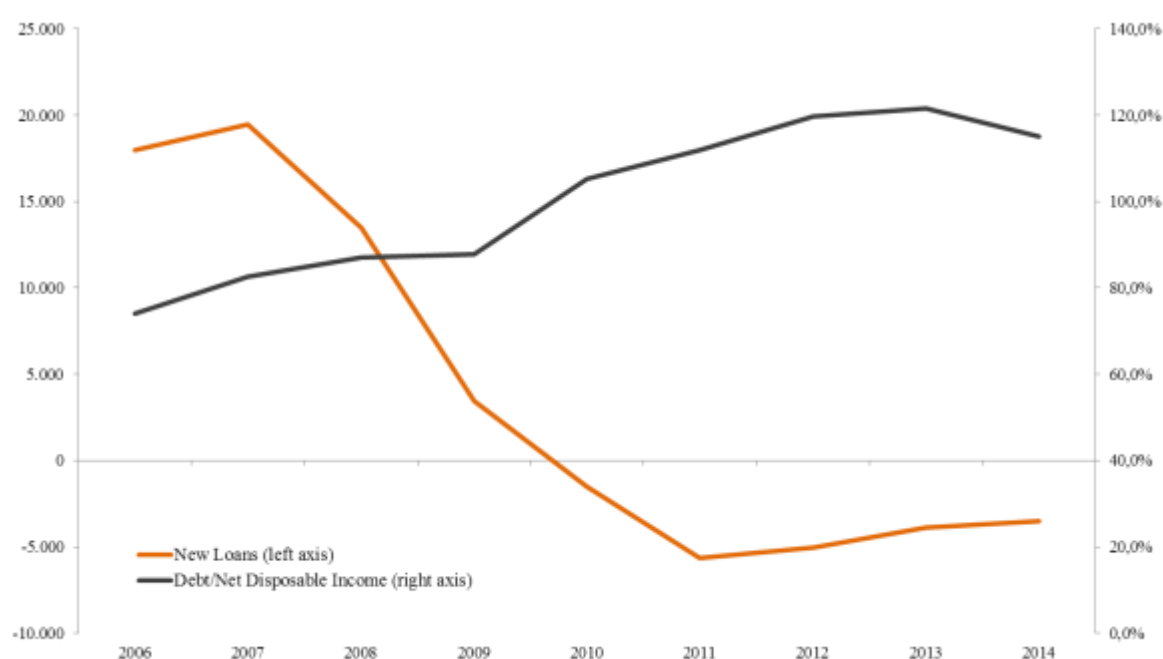


Source: Eurostat

The first effect is associated with the astonishing rise of households' debt ratio and the consequent collapse of households' credit expansion (see Figure 10). As observed, the debt-to-disposable income ratio has been constantly on an upward trajectory from 2009 on, mostly due to the sharp decline of households' disposable income propagated by the economic crisis and the imposition of harsh austerity measures in the country. This process has severely degraded the financial structure of households, thereby exposing the Greek banking system to greater credit risk and eventually leading to a

precipitous deceleration of households' credit expansion. As a result, Greek households have been forced to enter into a phase of deleveraging in the last eight years, which has negatively fed back on consumption and internal demand, thereby exacerbating economic decline and financial distress.

Figure 10: Household debt (as % of net disposable income) and new loans (in million euros) in Greece (2006-2014)

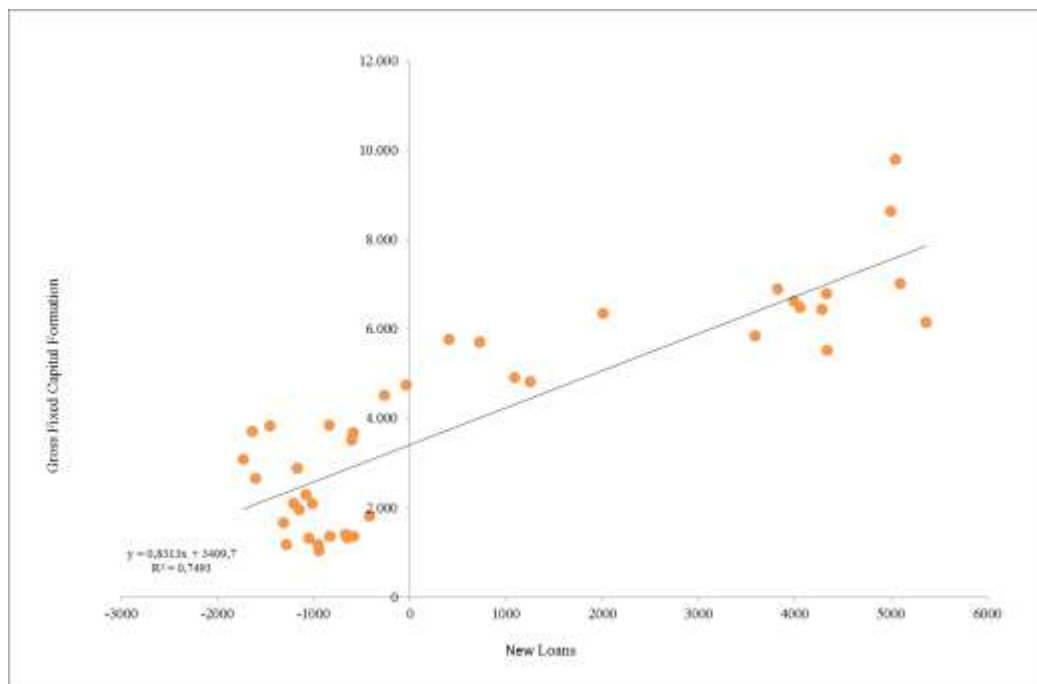


Source: Bank of Greece

The austerity-driven fragile financial position of households and the resulting steep contraction of credit expansion of the Greek household sector have not only negatively influenced private consumption levels, but also investment. In fact, statistical evidence exposed in Figure 11 clearly suggests a quasi-linear and significant relationship between households' new debt loads and investment over the period 2006Q1-2015Q4, with one-euro increase in debt inducing a nearly 0.80-euro worth household investment. This implies that debt-financed household investment (notably

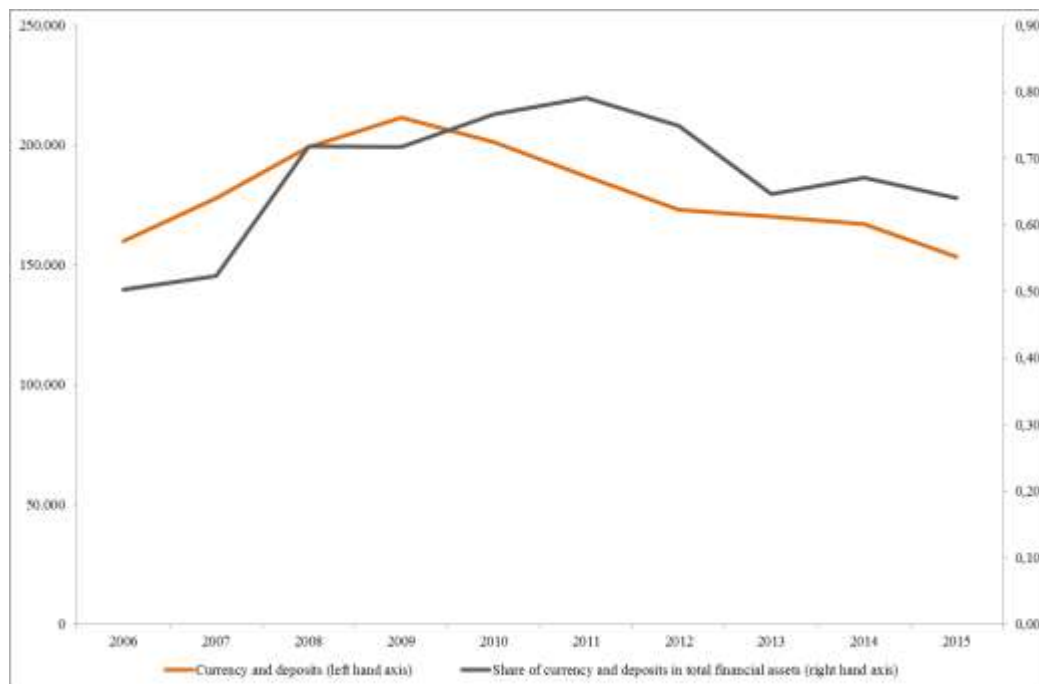
construction or purchasing houses in the secondary market) has been a key driver of internal demand. By impairing households' financial position and solvency status, austerity has therefore virtually dried up this channel of demand injection into the economy. In doing so, the creditors' policy agenda has further discouraged the private sector to expand, virtually plunging the entire economy even deeper into the crisis and the dismantling a major pillar of the pre-crisis development model of the Greek economy.

Figure 11: Credit expansion and gross fixed capital formation (Greece, household sector, 2006Q1-2015Q4, million euros)



Source: Eurostat, Bank of Greece and authors' estimations

Figure 12: Households' currency and deposits (million euros and as % in total financial assets, 2006-2015)



Source: Bank of Greece

Clearly, with credit loans growth on a virtual collapse during the recent years, the possibility for a credit-boom expansion in the Greek economy cannot be envisaged. As a result, consumer spending has been primarily financed through households' private wealth. Figure 12 partially corroborates this assertion, exhibiting the evolution of households' currency and deposits in Greece during the period 2006-2015. It is plainly evidenced that the total volume of households' currency and deposits has been on a constant decline throughout the period of relentless austerity. Furthermore, as presented in the black curve, households' currency and deposits comprised, on average, nearly 65%-80% of households' total financial assets, something that indicates a contraction of households' financial wealth in the period under consideration. Although this reduction in households' wealth may have in the short-run a positive effect on consumption and GDP, this trend is clearly unsustainable in

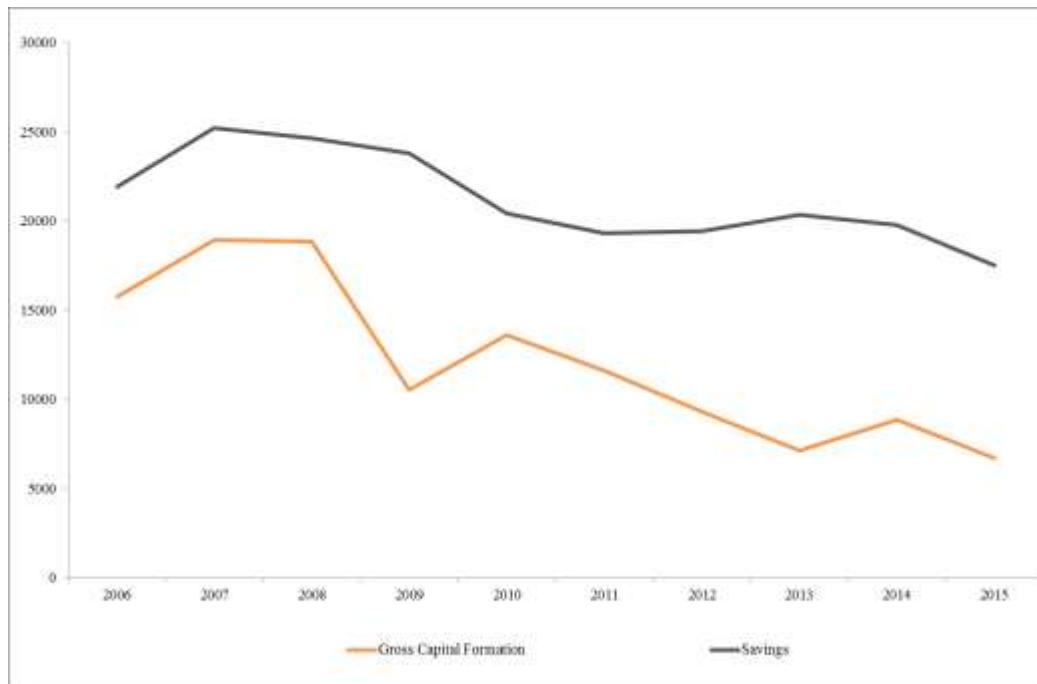
both economic and social terms in that it has brought with it an irritating deterioration of living standards in the country. In fact, anchored poverty in Greece has nearly doubled over the last five years, with income inequality spreading and an ever-increasing share of ordinary population suffering today from episodes of severe material deprivation. Under such circumstances, it is clear that being locked to the bandwagon of harsh austerity is not a recipe for descent recovery, but certainly one of further deepening economic crisis and social insecurity in the country.

All in all, the imposition of the austerity regime in Greece has sparked profound transformations in the wage-consumption-investment nexus within the Greek household sector with serious macroeconomic and financial implications. Public spending cuts, tax increases and labour cost restraint enforced by the country's creditors' agenda have succeeded nothing more but in slashing income streams towards households, hence provoking an unduly negative shock to their disposable income and consumption spending in the economy. At macroeconomic level, this has choked off internal demand and employment creation, thereby impeding GDP to gather momentum and public finances to improve through increased tax receipts. Caught in an inexorable austerity trap, Greek households have thus struggled to sustain consumption levels and pay off debt obligations by depleting savings and liquidating accumulated financial wealth, so raising their solvency and credit risk and gravely disrupting the entire financial and macroeconomic system of the country. The extent and depth of the Greek crisis could in large part be attributed to these disruptive outcomes of austerity that have ultimately created poverty, inescapable indebtedness and little prospects for a sustainable recovery of the economy.

4.2 Austerity and balance sheet adjustments in the non-financial corporate sector in Greece

Unlike households, the financial balance of non-financial corporations (NFCs) has been on a positive net position throughout the 2006-2015 period. As exposed in Figure 13, NFCs' gross capital formation has followed a declining trend during the macro adjustment period, picking up only moderately at 2014, before dropping again in 2015 in response to declining consumption demand and weak macroeconomic environment in the country during the recent years. In the same period, NFCs' gross savings have also declined, but at a slower pace, something that contributed to the increasing surplus of NFCs over the last six years. A likely explanation for this is that firms have sought to retain funds to meet their debt payment commitments that have accumulated in the past years within a highly unstable and uncertain macroeconomic environment and in response to weak demand conditions due to austerity.

Figure 13: Gross capital formation and savings of NFC in Greece (in million euros, 2006-2015)



Source: Eurostat

In order to investigate quantitatively whether austerity has virtually triggered the observed poor investment activity of NFCs, we have estimated an investment function that contains both supply and demand factors that are likely to influence private sector's investment decisions. These factors include the interest rate, compensation of employees, direct and indirect taxes, firms' retained earnings, debt payment commitments, the rate of capacity utilisation and public investment.¹¹ The time span of sampled data covers the period from the 1st quarter of 2000 to the 3rd quarter of 2013.

¹¹ All variables, but interest rate and the rate of capacity utilisation, are expressed as a ratio of capital stock. For overcoming endogeneity issues between public investment and capacity utilisation rate, lags have been introduced into public investment.

Additionally, we have divided the sample into two periods, before and after 2010, to capture any structural break produced by the crisis.¹²

Table 1: Estimated Results of the Factors that Affect Investment in Greece (1999-2014)

Before the crisis	Coefficients
Capacity Utilization Rate (-1)	0.07*
Retained Earnings Ratio (-1)	0.13*
During the crisis	
Capacity Utilization Rate (-1)	0.02*
Public Investments (-2)	0.87*
Public Investments (-3)	0.77**

*, **, *** denote 1%, 5% and 10% levels of statistical significance respectively

Econometric results are presented in Table 1.¹³ It is evident that over the pre-crisis era both the lagged NFCs' retained earnings ratio and the economy's capacity utilisation rate have been major factors in driving NFCs' investment. With the onset of the crisis, lagged capacity utilisation has remained statistically significant, though to a lesser extent. However, lagged public investment enters also the picture as a crucial determinant of NFCs' investment decision-making. These findings validate the typical Keynesian view that during boom phases investment decisions principally respond to demand conditions, as well as to the firms' internal means of financing investment. By

¹² Indeed, econometric analysis shows a change in the statistical significance of the factors affecting investment in the first quarter of 2010, thus indicating the occurrence of a structural break.

¹³ After implementing the standard econometric tests variables were not found to have a unit root, save the debt payment ratio which was dropped from the sample, and then we applied an OLS regression, since it appeared as the best linear unbiased estimator.

contrast, during recessions, when firms' profitability expectations turn negative, public investment becomes critical to invert the macroeconomic outlook and improve investors' sentiment. It is also crucial to underline that public investment exhibits an outstanding accelerating effect, evident in its lag structure. As such, the continuation of austerity practically entails the complete abatement of the most valuable tool for fostering economic recovery and employment, namely public investment.

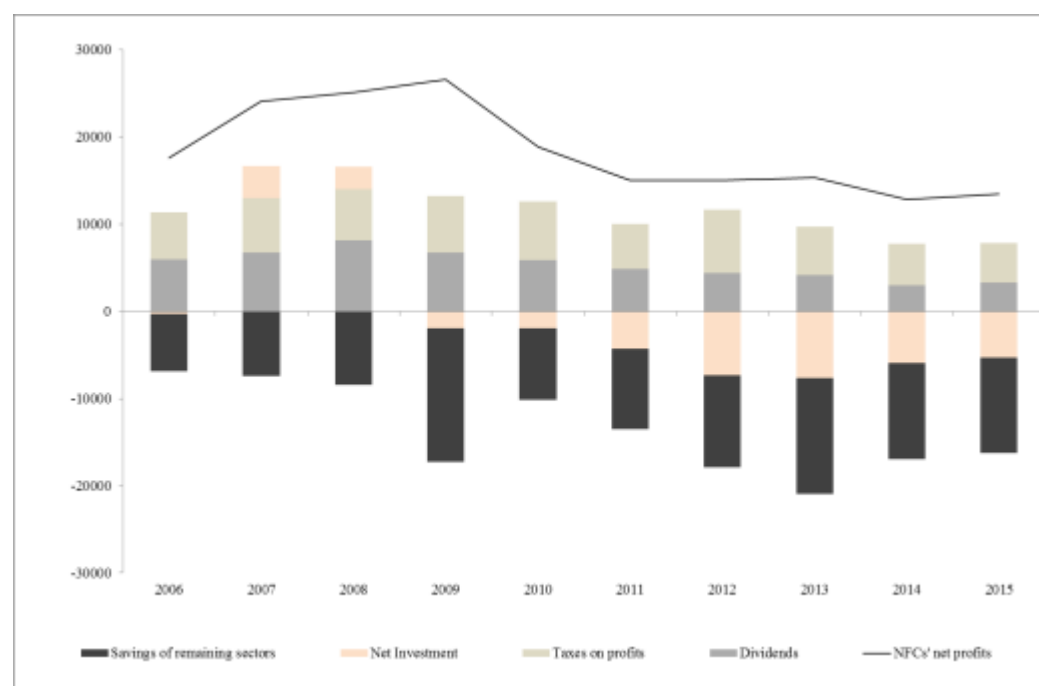
An important side-effect of austerity and a notable corollary of NFCs' unsatisfactory investment performance has been the significant drop of corporate profits. Figure 14 sheds light on this effect, depicting the level and the main determinants of NFCs' profits for the period 2006-2015.¹⁴ It is clear that, despite the slight recovery of corporate profits observed in 2015,¹⁵ the total volume of NFCs' profits has recorded for the entire period under consideration a remarkable decline. A prominent reason behind this development has been the damaging process of disinvestment that has commenced in 2009, with net capital formation staying since then persistently at a negative territory. Therefore, austerity has not only adversely affected corporate investment performance, but, in so doing, it has also led to a gradual reduction in corporate profits. On the other hand, other sectors' negative savings, together with slightly lower payments on taxes and dividends, have provided some stimulus to corporate profits, thereby weighting on the destructive impact of austerity-driven disinvestment on NFCs' cash flows. Against this backdrop, it becomes obvious that continuing with creditors' restrictive policy mix is very likely to further feedback

¹⁴ In order to investigate the impact of austerity on NFCs' net profits, we have made use of the well-known Levy–Kalecki profit equation (see Levy 1943, Kalecki 1971), i.e. $P=NI-NFS+D+T$, where P denotes profits; NI, net investment; NFS, non-firm savings; D, dividend payments and; PT, taxes on profits.

¹⁵ This development can well be attributed to the greater negative value of households' savings.

negatively on NFCs' investment and profits in the foreseeable future, thereby reinforcing economic decline and financial stability in Greece.

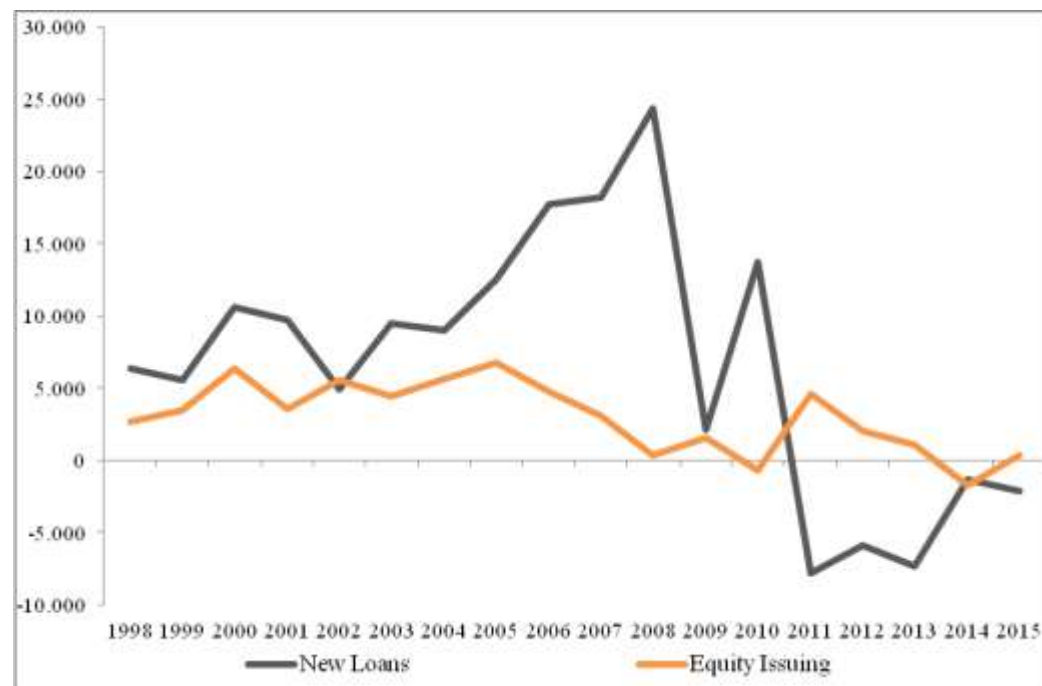
Figure 14: The volume and main determinants of NFCs' net profits in Greece (2006-2015, in million euros)



Source: Eurostat and authors' estimations

Important conclusions can also be drawn by examining the level and the evolution of NFCs' external financing both before and during the crisis period. It is clear that prior to the crisis, Greek NFCs have predominately made use of the traditional banking channel of borrowing (see Figure 15). This trend has been particularly pronounced with the run-up of the country to the euro, with NFCs taking advantage of the interest rates convergence and stable financial conditions prevailed in the country throughout this era. On the flipside, capital markets have, as a rule, constituted a rather minor, if not negligible, source for the NFC to raise capital and finance investment projects.

Figure 15: NFC's external sources of financing (1998-2015, million euros)



Source: Bank of Greece

The global financial crisis in 2007/2008 and subsequently the imposition of austerity measures in the country have profoundly altered this pattern both in terms of the total volume of credit provided to NFCs and the relative significance of external sources of financing. Following the global financial shock and the economic crunch caused by austerity, the amount of NFCs' new loans from the banking sector has virtually collapsed despite the temporary increase occurred in 2010.¹⁶ Borrowing from capital markets has followed a similar, though a more moderate, pattern, eventually becoming the main source of external funding for the Greek NFCs. Arguably, such changes uncover the destructive impact of austerity on the health and orderly function of the domestic banking system and thereby on the supply of credit. They are also indicative

¹⁶ The temporary increase in 2010 is closely related to the implementation of new accounting rules, in particular to the fact that shipping firms' loans have since come under the category of domestic loans.

of the sharp fall of credit demand brought about by the ongoing deleveraging process in the Greek corporate sector as a result of the collapse of internal demand.

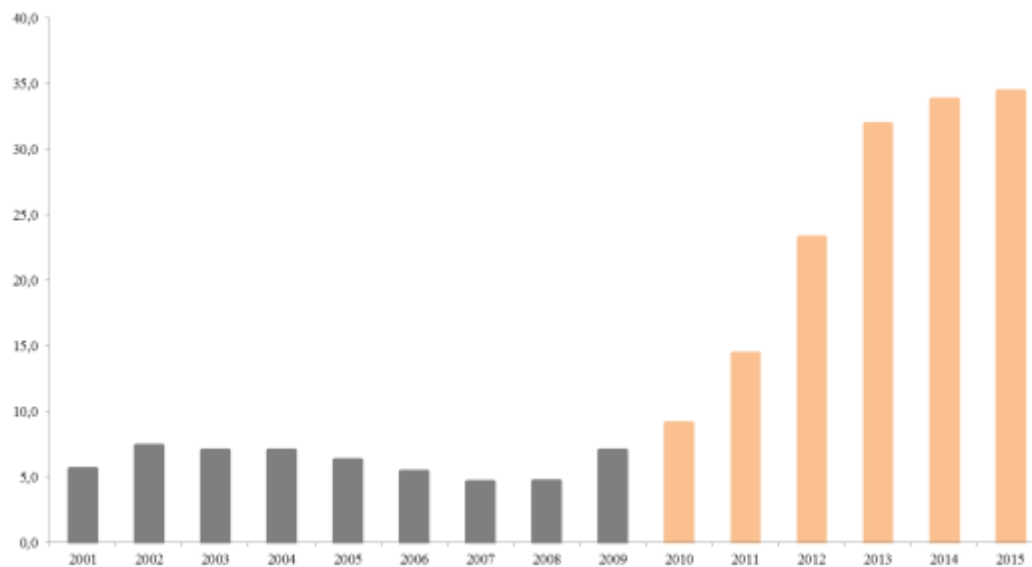
Against this backdrop, the EAPs has done nothing more but to establish the conditions for a balance sheet recession in the economy, with both firms and households reducing spending and borrowing in an attempt to meet their payment commitments. Consequently, the policy mix of exceptionally front-loaded fiscal tightness and internal devaluation does not represent a viable prescription for Greece to exit the crisis, but one of deepening and perpetuating deficient demand conditions, economic decline and financial turmoil in the country. A prominent reason behind this failure is that the Greek economy has been, and still is, functioning under a wage-led regime [see Onaran and Obst, 2016 and INE GSEE, 2015] and lacks an export-oriented, tech-intensive, competitive productive structure. In the absence of a dynamic external sector to compensate the contractive effects of creditors' strategy, Greece is therefore doomed to be stuck in a low demand-low liquidity trap that systematically sustains its economy's solvency risk and undermines any possibility for a quick and sustainable economic recovery in the near future. Hence, an ambitious and credible crisis resolution strategy cries out either for the complete reversal of the current creditors' strategy or for the restructuring of the productive sector, or both. Alas, austerity has provoked such profound transformations in the financial and economic structure of the private sector that inevitably makes it harder for this prospect to be realised.

4.3 Austerity and deteriorating credit conditions in Greece

What merits particular attention for evaluating the impact of austerity on the Greek economy is also the examination of the deleveraging process entrapped both NFC and household sector in recent years, as well as the ensuing effects of the underlying process on credit expansion. The importance of this issue becomes even greater in view of the enormous pressure that exerts the interplay between deleveraging dynamics and credit expansion on the private sector's solvency status and thereby on the ordinary operation and stability of the entire banking system in the country.

A good starting point for analysing the disruptive impact of austerity on the country's financial stability could be the examination of the evolution of non-performing loans in Greece. Figure 16 shows the fivefold rise of the ratio of the non-performing loans in gross loans in 2015 as compared to 2009. Especially in 2011 and 2012 the ratio has registered an annual increase by 58% and 62%, respectively.

Figure 16: Non-performing loans over gross loans (%), Greece (2001-2015)

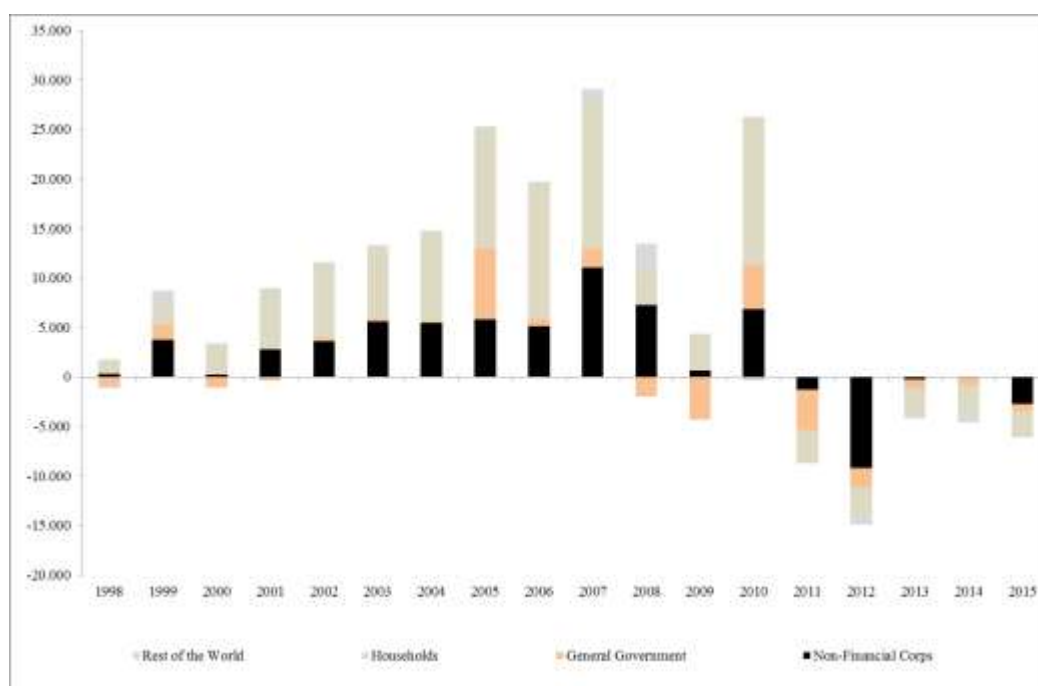


Source: World Bank

Such an astonishing increase in the volume of non-performing loans has in turn adversely impinged on money demand and the provision of bank credit in the Greek economy. This is evident in Figures 17a and 17b that trace the flows of long-term and short-term loans provided by the domestic banking sector to all other sectors of the economy from 1998 to 2014. From the figures it can easily be concluded that the total volume of both short- and long-term loans provided to the foreign sector has been quite limited in the entire period under consideration, as it has been the case for the government sector, yet to a lesser extent. We would expect that the majority of long-term loans would have been channelled towards the NFCs sector for financing real investment purposes, while that of short-term loans towards households for supporting private consumption growth. However, empirical evidence suggests the opposite case, which seems fairly plausible, given that the main volume of investment in Greece has been undertaken by households. It should also be noted that the abrupt changes in the

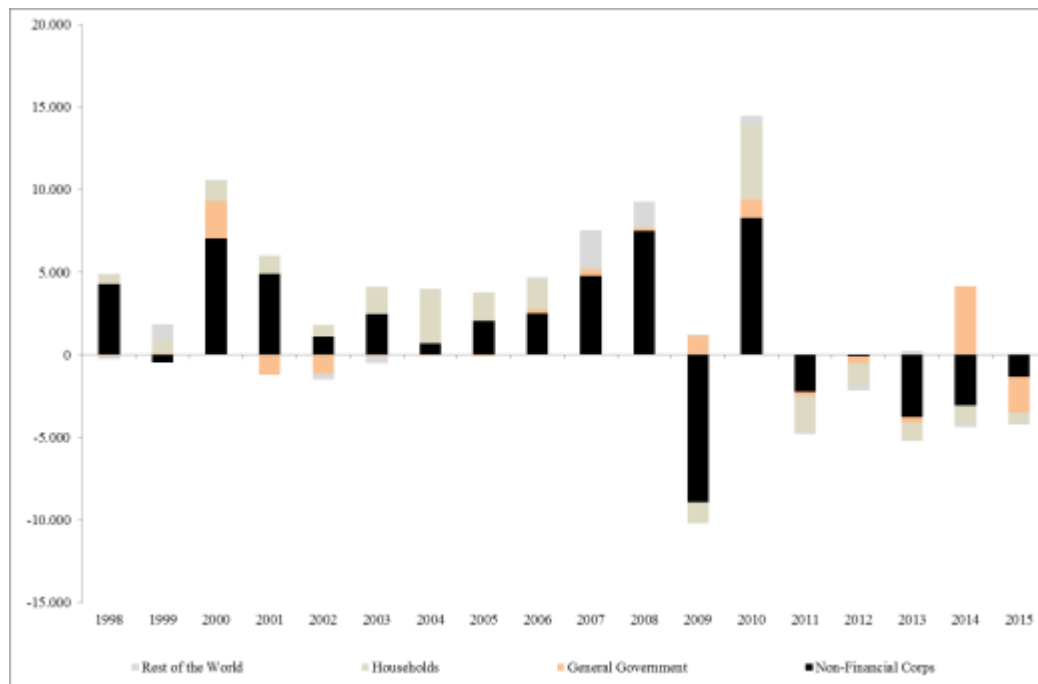
volume of domestic credit occurred in 2009 and 2010 simply reflect the new accounting rules applied by the Bank of Greece and a change in the ownership status of loans.

Figure 17a: Flows of long-term loans to other sectors (1998-2014, million euros)



Source: Bank of Greece

Figure 17b: Flows of short-term loans to other sectors (1998-2014, million euros)



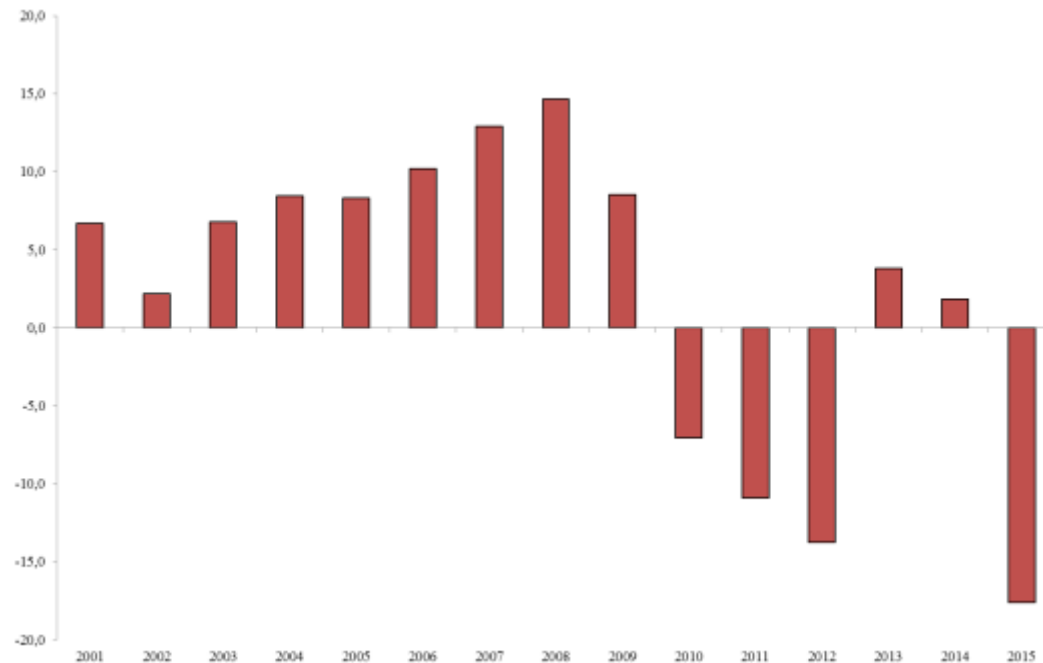
Source: Bank of Greece

In particular, a considerable amount of long-term household loans has been owned by the foreign financial sector up until 2010. In that year, the stock of these loans diminished by 15 billion euros with a corresponding increase in household debt payable to the domestic banking sector. Similar was the case for the NFCs. This change in the holding of this type of assets is explained by the engagement of domestic banks into speculative practices abroad predominately through the use of the so-called ‘special purpose vehicles’. With the outbreak of crisis, Greek banks have repatriated these loans in order to relax liquidity constraints and strengthen their financial position.

Finally, the rate of growth of high powered money and deposits, depicted by the M3 index, has followed a downward trend after 2008, eventually turning negative after 2010 with the start of the first macro adjustment programme in Greece (Figure 18).

The positive value in 2013 has to be considered as an outlier and it is mostly attributed to some ephemeral positive developments in the stock market, the impact of which have faded out in 2014, with the M3 index becoming once again negative in 2015.

Figure 18: M3 growth in Greece (2001-2015)



Source: Bank of Greece

Overall, austerity had, as expected, a negative impact on the liquidity conditions in the Greek economy, due to the compression of incomes and the consequent decline of aggregate demand. This liquidity squeeze ought to be counterbalanced by liquidity injections from abroad, so as to avoid recessionary effects. However, the improvements in the balance of payments have been far from being adequate to reverse the negative impact of austerity¹⁷.

¹⁷ According to Rocholl and Stahmer (2016) the bail-out funds provided to the Greek public sector were used for servicing the external public debt commitments and were not injected in the real economy.

5. Conclusion

After seven years of painstaking austerity and wide-ranging neoliberal reforms, the Greek economy continues to be engulfed in a highly unfortunate situation of protracting deflation, skyrocketed unemployment and financial instability, with the prospects for a quick and robust recovery still remaining gloomy and highly uncertain. The depth and duration of the Greek crisis vividly highlight that austerity as both theoretical concept and policy option has failed to deliver its promised outcomes. This paper has attempted to provide an alternative framework for explaining the economy's negative track record, by focusing on the adverse impact of austerity on the overall performance and financial stability of the private sector. We have argued that in an economy such as Greece any effort to bridge fiscal imbalances through austerity is both futile and counterproductive. Contracting internal demand and depriving the economy of liquidity, it only adds solvency problems, hence destroying the economy's actual and future growth capacity.

There is no doubt that Greece is today in the urgent need for turning the page on the creditors' failed experiment and moving on a new, socially inclusive, policy strategy agenda that would be fully compatible with and responsive to the idiosyncratic aspects of its economy. At first stage, this change requires a deep understanding of the specific structural characteristics of the Greek economy and an awareness of its position within a highly heterogeneous and quite fragmented monetary area. Against this background, a pragmatic approach to dragging the country out of the crisis should arguably involve concrete actions at least two different, though interconnected, levels. At domestic level, Greece needs a positive demand shock through the enactment of various consumption-enhancing measures that would stabilise the macro and financial

environment and thereby provide adequate incentives for productive investment. Important measures in this direction could be the undertaking of ambitious employment creation programmes, the mobilisation of an innovative investment agenda to foster the economy's growth potential, as well as the implementation of a range of progressive reforms in labour markets for supporting social cohesion and stability (see INE GSEE 2015). Needless to mention, such a reform agenda should be part and parcel of a wider plan for modernising and advancing the economy's productive capacity.

It is clear that any viable crisis resolution agenda for Greece could not be stamped with success without being accompanied with a profound reconstruction of the institutions governing the Eurozone. In fact, EMU should undertake a thorough reform, abandoning its unreasonable and harmful fixation on price stability, budgetary discipline and labour market deregulation and embarking on a new progressive policy strategy that would put employment creation, financial stability and improved living standards as top policy priorities. For this to happen, the mandate and monetary operations of the ECB should alter and be put at the service of a common fiscal regime entrusted to deliver macroeconomic stability and rapid economic growth in the euro area. Moreover, EMU-wide, labour protective regulations should also be put in place to assure decent wages and working conditions with a view to operate as a buffer stock against deflation, support the level of internal demand and sound financial conditions. These changes would not only foster economic recovery in Greece. They would also stabilise EMU and create the conditions for pushing Europe to a more sustainable, more just and more balanced growth trajectory.

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Eurozone's leader and its followers: Are their markets integrated enough?

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Abstract: This paper investigates whether commodity and capital markets integration has strengthened after the EMU formation. Focusing on the dominant role of Germany as the leading economy in the EMU, we test the progress of markets integration between Germany and selected EMU countries. For comparison reasons, we examine the same research question between Germany and selected non-EMU countries. Our research was based on the analysis of the PPP and UIP conditions and whether these two conditions hold jointly or individually. Our evidence implies that after the launch of the euro, there is stronger integration between Germany and non-EMU countries, such as Japan and the USA, rather than between Germany and EMU countries. These results can be explained by the fact that even though there is increased heterogeneity across EMU countries, these countries cannot adjust their exchange rates in order to respond to shocks and restore equilibrium in commodity and capital markets.

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The authors would like to thank Carsten Trenkler for kindly providing them with the Gauss codes for the SLT cointegration tests. Of course, all the remaining errors are of our own.

1. Introduction

European Economic and Monetary Union (EMU) was admittedly a remarkable step in the direction of enhancing economic integration among European countries. The launch of the common currency was expected to lead to price stability, lower transaction costs, stronger intra-euro trade relationships and thus, higher growth for member-countries. However, a fundamental weakness of the EMU, such as the lack of homogeneity across member-countries, should not be ignored. Divergent factors, such as dissimilar national policies (apart from the monetary policy) and different national regulations on goods and labour markets, may increase the possibility of emergence of asymmetric shocks in the Eurozone.

Based on the aforementioned heterogeneity and the resulting asymmetries across countries, academics and policy makers focus on answering the question of whether the EMU achieved its goals. Their main reservation arises from the presence of asymmetries and the lack of autonomous monetary policy for member-countries. In a monetary union, like the EMU, an asymmetric shock cannot be managed by an exchange rate adjustment. Thus, the main question is whether the common monetary policy (including the exchange rate policy) can achieve higher growth rates and higher economic and financial integration in the Eurozone.

De Grauwe (2009) argues that in the first decade of euro's life and before the debt crisis arises, there is little evidence that the euro caused higher growth rates in the Eurozone. On the other hand, nobody can argue that the euro had negative impacts on growth. However, it is also true that the EMU suffers from significant design weaknesses (De Grauwe 2002, 2009), which became more evident and stronger during the sovereign debt crisis (see, De Grauwe and Ji 2013, 2014). What may be indicative of the progress of economic integration among EMU members is that real effective exchange rates deviate among them, thereby implying divergence in their competitive positions (De Grauwe, 2009, 2010). Northern European

countries, namely Germany, Austria and The Netherlands, gained in terms of international competitiveness, while competitiveness in international trade for Southern European countries, namely Greece, Italy and Spain, has deteriorated.

In this context, the present paper aims to find whether economic and financial integration has increased among countries after the EMU establishment.¹ Analytically, we investigate whether EMU countries as well as selected non-EMU countries are financially integrated with Germany, which is the leading country in the EMU as it has the highest influence on the common monetary policy. We initially expect that the euro has led to integrated commodity and capital markets in the Eurozone because of stronger trade linkages among its member-countries. On the other hand, given the high degree of heterogeneity across countries and the absence of (intra-euro) exchange rate fluctuations, it is doubtful that higher economic integration can be achieved among EMU countries (especially for those that are structurally different from Germany).

The existence of economic and financial integration between Germany and the rest of the Eurozone's countries (and the non-EMU countries) is tested through two well-known international parity relationships, *i.e.* the Purchasing Power Parity (PPP) and the Uncovered Interest Parity (UIP). The empirical validity of the PPP condition implies goods markets integration, while the validity of the UIP condition implies capital markets integration.

Empirical literature implies that the introduction of the euro may have failed to increase commodity and financial markets integration among EMU countries. (Koedijk *et al.*, 2004; Kim *et al.*, 2006; Christidou and Panagiotidis, 2010; Wu and Lin, 2011; Huang and Yang, 2015). However, these studies have tested the PPP and UIP hypotheses only as independent

¹ The full sample (1991:01 to 2015:01) is split into two sub-periods: pre-EMU (1991:01 – 1998:12) and post-EMU (1999:01 – 2015:01). To find whether integration has increased due to the EMU, we first test our hypotheses on the pre-EMU period and then to the whole period (which includes both sub- periods).

parity conditions. This implies that the possibility that deviations from the PPP equilibrium are utilized by investors when forming expectations has been overlooked. Motivated by the seminal papers of Johansen and Juselius (1992) and Juselius (1995), we expect that PPP deviations may interact with UIP deviations. In the present paper, we extend the empirical literature on economic and financial integration in the Eurozone by testing the PPP and the UIP jointly. To the best of our knowledge, we argue that the present paper is the first that tests jointly the PPP and UIP conditions between Germany (as the leading economy of the EMU) and the remaining EMU countries.²

Another contribution of this paper is that, compared to the majority of the empirical studies in the literature, it uses more accurate price indices. Specifically, we utilize constructed Traded-goods Price Indices (TPI) instead of Consumer Price Indices (CPI), in order to avoid the presence of non-traded goods prices that biases negatively the empirical validation of the PPP hypothesis. Moreover, we use state-of-the-art time series econometric techniques, which allow the presence of structural breaks in cointegration analysis. Admittedly, the launch of the euro in 1999 and the global financial crisis of 2007 have altered the behaviour of variables under consideration. Hence, these two facts have probably caused an equal number of structural breaks, which should not be ignored by our analysis. Finally, the use of Germany as a benchmark country allows us to shed more light on Germany's leading role in the Eurozone. Does the degree of economic integration among Germany and

² Canarella *et al.* (2014) and Czudaj and Pruser (2015) have already tested jointly the two conditions, but not within the Eurozone. They test the international relationships of Germany against the UK and the USA, respectively. On the other hand, an indirect combination between the PPP and UIP conditions in the Eurozone is performed by Arghyrou *et al.* (2009). These authors examine the international Fisher effect within Europe (for EMU and non-EMU countries against the EMU average real interest rate). Similarly, Dreger (2010) tests the real interest parity in a set of 15 countries (including selected European countries, Japan and the USA), using however the USA as the base country.

the rest of the Eurozone's countries allow the characterization of Germany as the representative EMU country? Given Germany's domination in the Eurozone, a number of policy-related issues arise for the future of the EMU.

The structure of the paper is as follows. The next section describes the theoretical framework and section 3 illustrates the econometric methodology. Section 4 reports the dataset and the empirical findings, while a final section discusses the results and concludes.

2. Theoretical Framework

2.1 Purchasing Power Parity

PPP is based on the Law of One Price (LOP), which states that identical goods across countries should have the same price once they are converted to a common currency. Thus, the absolute version of PPP can be written as follows:

$$P_t = S_t P_t^*, \quad (1)$$

where P_t is the domestic price level, P_t^* corresponds to the foreign price level and S_t is the nominal exchange rate measured as units of domestic currency per unit of foreign currency. Using natural logarithms in equation (1) and rearranging it properly, we get:³

$$p_t - p_t^* - s_t = 0. \quad (2)$$

Equation (2) reflects the basic idea of the relative PPP form. It implies that the nominal exchange rate adjusts in the long-run so that to offset price differentials and restore equilibrium in international goods markets. Thus, the exchange rate and relative prices form a long-run equilibrium relationship. Equivalently, relative PPP holds if the real exchange rate is stationary, *i.e.*:

$$p_t - p_t^* - s_t \sim I(0). \quad (3)$$

³ Lower-case letters correspond to natural logarithms of the variables of equation 1.

2.2 Uncovered Interest-rate Parity

On the other hand, the fundamental idea of the UIP condition is that if the expected returns on domestic and foreign equivalent assets are different, then economic agents will borrow at the low rate and invest the proceeds at the high rate. This procedure will stop when both rates are equalized plus the expected rate of change in the exchange rate. In a log-linear form, the UIP condition can be expressed as follows:

$$i_t = i_t^* + E_t \Delta s_{t+k}, \quad (4)$$

where i_t and i_t^* are the domestic and foreign interest rates, E_t is the conditional expectations operator at time t and $E_t \Delta s_{t+k}$ denotes the expected rate of change of the nominal exchange rate from period t to $t+k$. In other words, the UIP condition describes how assets arbitrage restores equilibrium in international capital markets. Further, under the assumption that agents form rational expectations, which implies that they do not make systematic forecast errors, UIP condition is empirically validated if the change of the nominal exchange rate and the interest rate differential form a stationary long-run relationship, i.e.:

$$i_t^* - i_t + \Delta s_{t+k} \sim I(0). \quad (5)$$

Having in mind that the first difference of the nominal exchange rate is usually nonstationary, the empirical evidence in favour of the UIP condition requires that:

$$i_t^* - i_t \sim I(0). \quad (6)$$

2.3 Interaction between PPP and UIP

Both international parity conditions may hold as independent long-run equilibrium relationships.⁴ However, based on the seminal papers of Johansen and Juselius (1992) and

⁴ On the other hand, we should not ignore a number of theoretical and empirical factors which prevent the empirical validation of the above international parities. For example, transportation costs, tariff and non-tariff

Juselius (1995) and the subsequent papers in literature (MacDonald and Marsh, 1997; Juselius and MacDonald, 2004), we expect a possible interaction among prices, interest rates and exchange rates. Hence, PPP and UIP conditions should not be examined independently. The central idea of the connection between commodity and capital markets is that deviations from PPP equilibrium are utilized by investors when formatting expectations for the future exchange rate. In this sense, if investors form rational expectations and the expected exchange rate is given by $E_t s_{t+k} = p_t - p_t^*$, the relation that combines the PPP and the UIP conditions is as follows:

$$s_t + p_t^* - p_t + i_t - i_t^* = 0. \quad (7)$$

Likewise, the interaction between PPP and UIP conditions forms stationary long-run relationships if:

$$s_t + p_t^* - p_t + i_t - i_t^* \sim I(0). \quad (8)$$

The condition expressed in equation (8) can be satisfied if PPP and UIP hold jointly, that is:

$$p_t - p_t^* - s_t \sim I(0) \text{ and } i_t^* - i_t \sim I(0) \quad (9)$$

Alternatively, the above condition can also be satisfied if:

$$p_t - p_t^* - s_t \sim I(1) \text{ and } i_t^* - i_t \sim I(1), \text{ but } s_t + p_t^* - p_t + i_t - i_t^* \sim I(0). \quad (10)$$

In terms of cointegration, equation (10) implies exploiting the following vector:

$$y_t' = [s_t, p_t, p_t^*, i_t, i_t^*] \quad (11)$$

Expression (10) shows that PPP and UIP conditions are not identified as independent long-run relationships, but they form a stationary equilibrium relation when considered jointly. Consequently, PPP deviations interact with UIP deviations and generate a long-run equilibrium relationship. In other words, the nominal exchange rate adjusts to price level and

barriers, pricing to market and the Balassa-Samuelson effect explain deviations from PPP. Similarly, UIP deviations may be explained by transaction costs, differences in taxation and risk, and capital controls.

interest rate differentials to restore simultaneous equilibrium in commodity and capital markets.

2.4 Theoretical Hypotheses

To test whether PPP and UIP conditions hold jointly or individually, we first define the theoretical hypotheses under investigation. The form of the theoretical restrictions is subject to the number of long-run relationships (*i.e.* cointegrating relations) found among the variables of interest. Initially, we expect two long-run relationships that may correspond to the PPP and UIP relations, respectively. These two long-run relationships may be either individual or interdependent. In this case, the theoretical restrictions, as suggested by Johansen and Juselius (1992), are formed as follows:

\mathcal{H}_1 : PPP condition is identified with unrestricted interest rates, while UIP condition is identified with unrestricted price levels.

\mathcal{H}_2 : PPP condition is identified as a strict individual relationship, while UIP condition is identified as a strict individual relationship.

\mathcal{H}_3 : PPP condition is identified while interest rates have equal and opposite signs, while UIP condition is identified while price levels have equal and opposite signs.

\mathcal{H}_1 tests the hypothesis that PPP and UIP hold. If \mathcal{H}_1 cannot be rejected we proceed to \mathcal{H}_2 , which tests the hypothesis that PPP and UIP hold only individually. Once the latter hypothesis is rejected, we test the hypothesis that PPP and UIP hold jointly (\mathcal{H}_3), thereby implying strong interaction between goods and capital markets.

The above representation of the theoretical hypotheses applies when two long-run relationships exist among variables. But, this is not the only possible case. We cannot exclude the possibility that the variables of interest may form only one long-run relationship. In this

case, theoretical restrictions need to be slightly modified. Although the literature about the interaction between PPP and UIP conditions is rich, none of the previous studies has provided insights on how theoretical restrictions should be modified in the case of a unique long-run relationship. In this paper, we extend the literature by testing the joint identification of PPP and UIP conditions under a unique long-run relationship. Hence, theoretical hypotheses are modified as follows⁵:

\mathcal{H}_4 : PPP condition is identified with unrestricted interest rates.

\mathcal{H}_5 : UIP condition is identified with unrestricted price levels.

\mathcal{H}_6 : PPP condition is identified as a strict individual relationship.

\mathcal{H}_7 : UIP condition is identified as a strict individual relationship.

\mathcal{H}_8 : PPP condition is identified, while interest rates have equal and opposite signs.

\mathcal{H}_9 : UIP condition is identified, while price levels have equal and opposite signs.

\mathcal{H}_{10} : PPP and UIP conditions are fully identified jointly.

The testing procedure is the same as above. One can easily observe that \mathcal{H}_4 and \mathcal{H}_5 correspond to the joint hypothesis \mathcal{H}_1 . Similarly, \mathcal{H}_6 and \mathcal{H}_7 refer to \mathcal{H}_2 , while \mathcal{H}_8 and \mathcal{H}_9 correspond to \mathcal{H}_3 . The reason that the initial hypotheses are split is the existence of a single long-run relationship. Hence, the unique long-run relationship may represent the PPP condition or the UIP condition. On the other hand, price level and interest rate differentials may form a single long-run relationship with the nominal exchange rate. In this case, the PPP and UIP conditions hold jointly under the same long-run relationship. This hypothesis is expressed by \mathcal{H}_{10} .

⁵ The modification of the restrictions imposed in the cointegrated space and the revised design matrices are illustrated in the empirical results section.

3. Cointegration Models

The current analysis is mainly based on cointegration tests. We perform two types of tests: those without structural breaks in the data and those that include structural breaks. For the cases with no structural breaks, we implement the multivariate approach of Johansen along with the methodology developed by Lütkepohl and Saikkonen (2000), Saikkonen and Lütkepohl (2000a,c) [SL]. Concerning cointegration tests with structural breaks in the data, there is a large literature on different approaches and techniques.⁶ For reasons of comparison and consistency with the cases with no structural breaks, we employ the approach of Johansen *et al.* (2000) [JMN] as well as the approach developed by Saikkonen and Lütkepohl (2000b), Trenkler *et al.* (2008) [SLT].

The JMN approach extends the Johansen methodology by adding in the VECM several dummy variables, in order to account for q possible exogenous breaks in the deterministic components of a vector-valued stochastic process. Using the response surface method, this approach derives the asymptotic distribution of the trace statistic for cointegration and obtains critical values or p-values.

Similarly, the SLT approach extends the SL methodology. Again it is assumed that in the data generating process (DGP) for a vector-valued process y_t , its deterministic part (μ_t) does not affect its stochastic part (x_t).⁷ Thus, the deterministic part is removed in the first stage, and the likelihood ratio (LR) cointegration test is applied in the second stage using the detrended stochastic part of y_t . Briefly, for a single exogenous break at time T_B in μ_t , in both the level and the trend of y_t , the DGP for y_t is:

$$y_t = \mu_t + x_t = \mu_0 + \mu_1 t + \delta_0 b_t + \delta_1 d_t + x_t, \quad t = 1, \dots, T, \quad (12)$$

⁶ Perron (2006) provides a comprehensive literature review.

⁷ Structural breaks along with deterministic components are included in the deterministic part of y_t .

where t is a linear time trend, μ_i ($i=0,1$) and δ_i ($i=0,1$) are unknown $(v \times 1)$ parameter vectors, b_t and d_t are dummy variables defined as $b_t = d_t = 0$ for $t < T_B$, and $b_t = 1$ and $d_t = t - T_B + 1$ for $t \geq T_B$. The unobserved stochastic error x_t has the following VECM representation:

$$\Delta x_t = \Pi x_{t-1} + \sum_{i=1}^{k-1} \Gamma_i \Delta x_{t-i} + \varepsilon_t, \quad \varepsilon_t \sim iidN(0, \Omega), \quad t = 1, \dots, T. \quad (13)$$

It is also assumed that the components of x_t are at most $I(1)$ and cointegrated (*i.e.*, $\Pi = \alpha\beta'$) with cointegrating rank r_0 . Based on equations (12) and (13), estimates of μ_0, μ_1, δ_0 and δ_1 are obtained using a feasible GLS procedure under the null hypothesis $H_0(r_0): rank(\Pi) = r_0$: vs. $H_1(r_0): rank(\Pi) > r_0$. Using these estimates, the detrended series $\hat{x}_t = y_t - \hat{\mu}_0 - \hat{\mu}_1 t - \hat{\delta}_0 d_t - \hat{\delta}_1 b_t$ are computed. Finally, x_t is replaced by \hat{x}_t in the VECM of equation (13) and the following trace statistic is computed:

$$LST_{Trace} = -T \sum_{i=r_0+1}^p \ln(1 - \tilde{\lambda}_i), \quad (14)$$

where the eigenvalues $\tilde{\lambda}_i$'s can be obtained by solving a generalized eigenvalue problem. P -values are derived using response surface techniques (Trenkler *et al.*, 2008).

4. Data and Empirical Results

4.1 Data

The dataset consists of monthly observations from 1991:01 to 2015:01 on nominal exchange rates, interest rates and traded-goods price indices (based on export and import price indices and total exports and imports) for nine core EMU countries, three EU (but non-EMU) countries and two non-EU countries. The cluster of the EMU countries includes Belgium, Finland, France, Germany, Greece, Ireland, Italy, The Netherlands and Spain, while the whole sample is filled with Denmark, Sweden, UK (EU – but non-EMU – countries) and Japan,

USA (non-EU countries).⁸ Throughout the paper, the benchmark country is Germany. Therefore, all nominal exchange rates correspond to national currencies against the Deutsche mark. For the pre-EMU period, Deutsche mark exchange rates were retrieved from the statistical databases of Eurostat and Bundesbank.⁹ Obviously, there is no official exchange rate between Germany and any EMU member country for the post-EMU period. However, there was an exchange rate relationship between EMU countries at the time of the adoption of the single currency, which remained fixed since then. This could imply that there is a hypothetical and constant exchange rate between Germany and EMU countries. To derive this hypothetical exchange rate (for the post-EMU period), we calculate cross exchange rates based on the fixed euro conversion rates of EMU countries. For example, the post-EMU exchange rate between Germany and France is calculated as $6.5597/1.95583 = 3.353855$ and remains unchanged until the end of the estimation period. All nominal exchange rates are transformed into a logarithmic form.

Moreover, interest rates correspond to the yield of 10-year government bond and are collected from the statistical database of the Eurostat. We have preferred the use of long-run interest rate instead of short-run interest rate for various reasons. Firstly, because of the common monetary policy, short-run interest rates do not fully reflect members' individual characteristics. For example, money market rates mostly reflect European Central Bank's policy decisions. Secondly, long-run interest rates reflect the long-run process of the economy and thus, are more appropriate when the long-run exchange rate is examined. Finally, the

⁸ Traded-goods price indices could not be calculated for Austria, Luxembourg and Portugal due to data unavailability. Hence, these countries have been excluded from our dataset. Moreover, the sample period for Belgium is 1993:01 – 2015:01, while the starting date for Denmark is 1995:01.

⁹ For non-EMU members (Denmark, Sweden, Japan, UK and USA) Deutsche mark exchange rates have been retrieved by Eurostat and Bundesbank for the whole period of estimation.

yield of government bonds is able to capture the impact of the EMU sovereign debt crisis on capital markets and financial integration within the Eurozone.

For national price levels, we have used constructed traded-goods price indices (TPI) instead of consumer price indices (CPI) so that to avoid the presence of non-traded goods prices, which biases negatively the empirical validation of the PPP hypothesis. Following Xu (2003) and Giannellis and Papadopoulos (2010), we construct the traded goods price index (TPI) as a weighted average of the log of export price index (p^x) and the log of import price index (p^m). The weights are the shares of total exports and total imports in total trade. The formula of the TPI is the following:

$$TPI = (\alpha \cdot p^x) + (\beta \cdot p^m), \quad (15)$$

where $\alpha = \frac{exports}{exports + imports}$ and $\beta = \frac{imports}{exports + imports}$. The above international trade data

were retrieved from the *International Financial Statistics* of the International Monetary Fund database. Concerning prices and depending on data availability, we have used either export and import price indices or export and import unit value indices. The base year for all indices is 2010. Also, the value of exports and imports is expressed in US dollars.

4.2 Unit Root Tests Results

The sample is split into two sub-periods: the pre-EMU (1991:01 – 1998:12) and the post-EMU (1999:01 – 2015:01), but the estimation period is focused on the pre-EMU period and the whole period (which includes both sub-periods).¹⁰ As a preliminary analysis of the data, we have employed a number of unit root tests, such as the ADF; the DF-GLS; and the KPSS

¹⁰ For Greece, the pre-EMU period is up to 2000:12. Moreover, the starting date for Denmark is 1995:01 due to restrictions on data availability. As the pre-EMU period (1995-1998) is too short in the case of Denmark, we do not present results for this sub-period, but only for the whole sample.

tests. For the ADF and the DF-GLS tests the null hypothesis is that a series contains a unit root. In contrast, for the KPSS test the null hypothesis is that a series is stationary.¹¹ The results imply that all series, apart from the pre-EMU exchange rate in the case of Belgium, are difference stationary, i.e. they are $I(1)$ in levels, but $I(0)$ in first differences. However, the Belgian exchange rate in the pre-EMU period is an unambiguous exception. All tests unanimously reveal that this series is integrated in levels, *i.e.* $I(0)$. Therefore, we consider this series as covariance stationary.¹²

4.3 Cointegration Space and its Structure

As noted above, the estimation period is focused in the pre-EMU period and the whole period. For the pre-EMU period estimation we do not include structural breaks in the VECMs, and thus we implement the Johansen and SL cointegration methodologies. In contrast, for the whole period estimation we include two structural breaks in the cointegration tests, which were detected exogenously as suggested by economic theory. Of course, this detection was based on specific economic events that took place during the sample period. For all sample countries except Greece, the first structural break is allowed to be at the formation of the EMU in January 1999. For Greece, the first break is placed in January 2001, when the country joined the EMU. Also, for all sample countries the second break is allowed to be at the beginning of the recent global financial crisis. According to the U.S. National Bureau of Economic Research this crisis began in December 2007. Thus, for the whole period estimation we implement the JMN and SLT cointegration approaches. For the SLT test, we extended equation (12) by adding a second step dummy and a second linear trend dummy. Then, for each country, the SLT trace statistic and the corresponding response surface p-

¹¹ None of the unit root tests could be applied on post-EMU exchange rates as they are strictly constant.

¹² For saving space, unit root tests results are not reported but are available upon request.

values were computed using GAUSS codes. Also, the lag length for each VECM was selected using the Akaike information criterion (AIC).

Concerning the structure of the cointegrating vectors, the theoretical hypotheses were analyzed in Section 2.4. For a p -dimensional system, restrictions on the cointegration structure can be tests by formulating $\beta = [H_1\phi_1, \dots, H_r\phi_r]$, where H_i are $(p \times q_i)$ design matrices and ϕ_i are $(q_i \times 1)$ vectors of q_i free parameters. When two long-run relationships exist among variables, the theoretical hypothesis \mathcal{H}_1 implies that the first cointegrating vector describes the PPP condition with unrestricted interest rates, while the second cointegrating vector describes the UIP condition with unrestricted prices. Thus, the cointegrating vectors are $\beta_1 = [1, -1, 1, \phi_{11}, \phi_{12}]$ and $\beta_2 = [1, \phi_{21}, \phi_{22}, -1, 1]$, while the respective design matrices are the following:

$$H_{1A} = \begin{bmatrix} 1 & 0 & 0 \\ -1 & 0 & 0 \\ 1 & 0 & 0 \\ 0 & 1 & 0 \\ 0 & 0 & 1 \end{bmatrix} \text{ and } H_{1B} = \begin{bmatrix} 1 & 0 & 0 \\ 0 & 1 & 0 \\ 0 & 0 & 1 \\ -1 & 0 & 0 \\ 1 & 0 & 0 \end{bmatrix}.$$

This LR test, which captures the proportionality and symmetry conditions, is distributed asymptotically as χ^2 with 2 degrees of freedom. If \mathcal{H}_1 cannot be rejected we proceed to the theoretical hypothesis \mathcal{H}_2 , which implies that PPP and UIP hold only individually. In this case, the cointegrating vectors are $\beta_1 = [1, -1, 1, 0, 0]$ and $\beta_2 = [1, 0, 0, -1, 1]$, the respective design matrices are

$$H_{2A} = \begin{bmatrix} 1 \\ -1 \\ 1 \\ 0 \\ 0 \end{bmatrix} \text{ and } H_{2B} = \begin{bmatrix} 1 \\ 0 \\ 0 \\ -1 \\ 1 \end{bmatrix},$$

while the LR test is distributed asymptotically as χ^2 with 6 degrees of freedom. If the latter hypothesis is rejected, we test the theoretical hypothesis \mathcal{H}_3 , which implies that PPP and UIP conditions hold jointly and thus, there is strong interaction between goods and capital markets. In this case, the cointegrating vectors are $\beta_1 = [1, -1, 1, -\phi_{11}, \phi_{11}]$ and $\beta_2 = [1, -\phi_{21}, \phi_{21}, -1, 1]$, the respective design matrices are

$$H_{3A} = \begin{bmatrix} 1 & 0 \\ -1 & 0 \\ 1 & 0 \\ 0 & -1 \\ 0 & 1 \end{bmatrix} \text{ and } H_{3B} = \begin{bmatrix} 1 & 0 \\ 0 & -1 \\ 0 & 1 \\ -1 & 0 \\ 1 & 0 \end{bmatrix},$$

while the LR test is distributed asymptotically as χ^2 with 4 degrees of freedom.

When a single long-run relationship exists among variables, the theoretical restrictions are slightly modified. Thus, for the theoretical hypotheses \mathcal{H}_4 and \mathcal{H}_5 , which correspond to the joint hypothesis \mathcal{H}_1 , the cointegrating vector is either $\beta = [1, -1, 1, \phi_1, \phi_2]$ or $\beta = [1, \phi_1, \phi_2, -1, 1]$, respectively. The design matrix is

$$\text{either } H_4 = \begin{bmatrix} 1 & 0 & 0 \\ -1 & 0 & 0 \\ 1 & 0 & 0 \\ 0 & 1 & 0 \\ 0 & 0 & 1 \end{bmatrix} \text{ or } H_5 = \begin{bmatrix} 1 & 0 & 0 \\ 0 & 1 & 0 \\ 0 & 0 & 1 \\ -1 & 0 & 0 \\ 1 & 0 & 0 \end{bmatrix},$$

respectively, while for both cases the LR test is distributed asymptotically as χ^2 with 2 degrees of freedom. Similarly, for the theoretical hypotheses \mathcal{H}_6 and \mathcal{H}_7 , which correspond to the joint hypothesis \mathcal{H}_2 , the cointegrating vector is either $\beta = [1, -1, 1, 0, 0]$ or $\beta = [1, 0, 0, -1, 1]$, respectively. The design matrix is

$$\text{either } H_6 = \begin{bmatrix} 1 \\ -1 \\ 1 \\ 0 \\ 0 \end{bmatrix} \text{ or } H_7 = \begin{bmatrix} 1 \\ 0 \\ 0 \\ -1 \\ 1 \end{bmatrix},$$

respectively, while for both cases the LR test is distributed asymptotically as χ^2 with 4 degrees of freedom. Also, for the theoretical hypotheses \mathcal{H}_8 and \mathcal{H}_9 , which correspond to the joint hypothesis \mathcal{H}_3 , the cointegrating vector is either $\beta = [1, -1, 1, -\phi_1, \phi_1]$ or $\beta = [1, -\phi_1, \phi_1, -1, 1]$, respectively. The design matrix is

$$\text{either } H_8 = \begin{bmatrix} 1 & 0 \\ -1 & 0 \\ 1 & 0 \\ 0 & -1 \\ 0 & 1 \end{bmatrix} \text{ or } H_9 = \begin{bmatrix} 1 & 0 \\ 0 & -1 \\ 0 & 1 \\ -1 & 0 \\ 1 & 0 \end{bmatrix},$$

while for both cases the LR test is distributed asymptotically as χ^2 with 3 degrees of freedom. Finally, for the theoretical hypothesis \mathcal{H}_{10} , which implies that the PPP and UIP conditions hold jointly under the same long-run relationship, the cointegrating vector is $\beta = [1, -1, 1, -1, 1]$, the respective design matrix is

$$H_{10} = \begin{bmatrix} 1 \\ -1 \\ 1 \\ -1 \\ 1 \end{bmatrix},$$

while the LR test is distributed asymptotically as χ^2 with 4 degrees of freedom.

4.4 Results for the Pre-EMU Period

Table 1 reports the Johansen and SL trace statistics and the respective p -values for each of the sample countries. For the pre-EMU period (columns 3-4), the results indicate two

cointegrating vectors for the cases of Greece, Italy, Spain, The Netherlands and the USA, at the 5 per cent level of significance.¹³ In the case of Belgium, both tests indicate three cointegrating vectors. However, the third vector may be attributed to the stationarity of the Belgian exchange rate in the pre-EMU period. To make it clear, we test the hypothesis that one of the three cointegrating vectors is determined only by the stationary exchange rate. This test's result ($\chi^2 = 2.50$ and $p\text{-value} = 0.29$) indicates that the above hypothesis cannot be rejected. Finally, both tests provide evidence of a single cointegrating vector for the cases of Finland, France, Ireland, Japan, Sweden and the UK.

Panel A of Table 2 reports the test results regarding the structure of the cointegrating vectors for the six countries that there is evidence of two cointegrating vectors. As shown in the second column of panel A, the theoretical hypothesis \mathcal{H}_1 , which implies that the first vector describes the PPP condition with unrestricted interest rates and the second vector describes the UIP condition with unrestricted prices, cannot be rejected for Belgium, The Netherlands and Spain, at the 5 per cent level of significance. This hypothesis is marginally rejected for Greece ($p\text{-value} = 0.04$) and strongly rejected for Italy and the USA, at the same level of significance. Column 3 of panel A indicates that the theoretical hypothesis \mathcal{H}_2 , which implies that PPP and UIP hold only individually, is strongly rejected for all countries. Finally, as shown in column 4 of panel A, the theoretical hypothesis \mathcal{H}_3 that implies strong interaction between goods and capital markets, cannot be rejected only for the case of Greece. As the hypothesis \mathcal{H}_1 is marginally rejected for Greece, we can conclude that for this country the PPP and UIP conditions hold jointly. The latter result seems reasonable as the country

¹³ In the case of The Netherlands, the SL trace statistic indicates two cointegrating vectors, while the Johansen test indicates three vectors. However, Lütkepohl *et al.* (2003) found that their test has better size and power properties in finite samples. For this reason, we consider two cointegrating vectors also for The Netherlands.

performed significant economic adjustment in the second half of the 1990s, in order to fulfil the convergence criteria for joining the EMU.

Panel B of table 2 reports the respective test results for the six countries that there is evidence of a single cointegrating vector. As shown in columns 2 and 3 of panel B, the theoretical hypothesis \mathcal{H}_4 is rejected for all cases, while the theoretical hypothesis \mathcal{H}_5 cannot be rejected only for the cases of Finland and France, at the 5 per cent significance level. This implies absence of commodity market integration, but instead there is indication of capital markets integration in the cases of France and Finland. Columns 4 and 5 indicate that both the theoretical hypotheses \mathcal{H}_6 and \mathcal{H}_7 are rejected for all cases. Following the testing procedure, columns 6 and 7 indicate that the theoretical hypothesis \mathcal{H}_8 is rejected for all cases, while the theoretical hypothesis \mathcal{H}_9 cannot be rejected only for Finland. Namely, when hypotheses become more restrictive (i.e. \mathcal{H}_8 compared to \mathcal{H}_4 and \mathcal{H}_9 compared to \mathcal{H}_5), there is evidence of capital market integration only between Germany and Finland, while the evidence of commodity market integration is still absent. Similarly, as shown in the last column, the theoretical hypothesis \mathcal{H}_{10} , which implies that the PPP and UIP conditions hold jointly under the same long-run relationship, cannot be rejected only between Germany and Finland.

4.5 Results for the Whole Period

Moving to the whole period estimation, the JMN and SLT trace statistics for all sample countries are reported in columns 5-6 of Table 1. As shown in this table, both tests indicate two cointegrating vectors only for the case of Belgium. For the cases of Finland, France, Spain, Denmark, Japan and Sweden, the JMN test indicates different number of cointegrating relations than the SLT test. As noted above, the SLT test has better size and power properties than the JMN test in finite samples, and thus we can conclude that for the above six countries

there is a single cointegrating vector. Finally, both tests also provide evidence of a single cointegrating vector for the cases of The Netherlands, the UK and the USA, and no evidence of cointegration for the cases of Greece, Ireland and Italy.

Table 3 reports the test results regarding the structure of the cointegrating vectors for the whole period. The case of Belgium, for which there is evidence of two cointegrating vectors, is illustrated in Panel A of this table. As shown in the second column of panel A, the theoretical hypothesis \mathcal{H}_1 , which implies that the first vector describes the PPP condition with unrestricted interest rates and the second vector describes the UIP condition with unrestricted prices, cannot be rejected, at the 5 per cent significance. In contrast, as shown in columns 3-4 both theoretical hypotheses \mathcal{H}_2 and \mathcal{H}_3 are strongly rejected.

The respective test results for the nine countries with a single cointegrating vector are reported in panel B of table 3. As shown in columns 2 and 3, the theoretical hypothesis \mathcal{H}_4 cannot be rejected for the cases of Finland, The Netherlands, Denmark, Japan and marginally for the USA, while the theoretical hypothesis \mathcal{H}_5 cannot be rejected only for the cases of Sweden and the USA, at the 5 per cent significance level. To this point, there is evidence of partial commodity markets integration in the cases of Finland, The Netherlands, Denmark and Japan; evidence of partial capital markets integration in the case of Sweden and indications of joint commodity and capital markets integration in the case of the USA. Columns 4 and 5 indicate that both the theoretical hypotheses \mathcal{H}_6 and \mathcal{H}_7 are rejected for all cases, thereby implying that PPP and UIP conditions do not hold strictly as independent relationships. Following the same testing procedure as in the previous subsection, columns 6 and 7 indicate that the theoretical hypothesis \mathcal{H}_8 cannot be rejected only for the case of Finland, while the theoretical hypothesis \mathcal{H}_9 is rejected for all cases but marginally for Sweden, at the 5 per cent level of significance. Finally, as shown in the last column of panel B, the theoretical

hypothesis \mathcal{H}_{10} is rejected for all cases. Likewise, when hypotheses become more restrictive, the evidence in favour of economic and financial integration is weakened.

5. Discussion and Concluding Remarks

Surprisingly or not, our results imply stronger evidence of financial integration between Germany and the selected EMU countries before the launch of the euro. For the pre-EMU period, Germany was found to be integrated with most of the EMU countries, while stronger evidence of commodity and capital markets integration was found in the cases of Finland and Greece. The latter result reflects the traditionally high cultural and trade linkages between Finland and Germany and the adjustment of the Greek economy towards the requirements of the Maastricht treaty, respectively. On the other hand, economic and financial integration could not be established between Germany and each of Italy and Ireland.

When the whole sample is examined, there is weaker evidence of economic and financial integration between Germany and the rest of the EMU countries. Our results indicate evidence of simultaneous commodity and capital markets integration only between Germany and Belgium, while there is evidence of only commodity market integration between Germany and each of Finland and The Netherlands. In contrast, we found no evidence of either commodity or capital market integration between Germany and each of France, Greece, Italy, Ireland and Spain.

These results imply that despite the launch of the common currency, Germany has financially diverged from most of the EMU countries under investigation. But, at the same time, financial integration with non-EMU economies has been stronger. At the pre-EMU period, Germany was not financially integrated with any of the selected non-EMU countries. However, when the whole sample is the case, we found evidence of simultaneous commodity and capital markets integration with the USA. In addition, there was evidence of commodity

market integration with Denmark and Japan and evidence of capital market integration with Sweden. Finally, the lack of integration with the UK remains.

Namely, our results imply stronger evidence of financial integration between Germany and the selected non-EMU countries rather than between Germany and the selected EMU countries. In contrast to the aim of the monetary union, this could mean that Germany seeks stronger economic and financial relationships outside the EMU. Certainly, this is not true. But, what is this that prevents the integration with some EMU countries? Moreover, what explains the fact that Germany is shown to be more integrated with non-EMU countries? Both questions have the same answer. This is the exchange rate! Normally, the nominal exchange rate adjusts in the long-run to offset any differentials and restore equilibrium. This is the case between Germany and the non-EMU countries. Obviously, the lack of exchange rate adjustment within the EMU prevents the PPP and UIP conditions to hold in the long-run. However, this does not mean that these conditions are not possible to hold in monetary unions. We just need to consider in which cases the exchange rate necessarily adjusts. Nominal exchange rates should change if permanent disequilibria exist, as a result of the heterogeneity across countries. Moreover, exchange rates are sensitive to monetary policy changes. In a monetary union, if member-countries respond symmetrically to shocks, equilibrium may be restored without any exchange rate adjustment. In our empirical exercise, this is shown in the cases of Belgium, Finland and The Netherlands. On the other hand, equilibrium could not be restored in the remaining selected EMU countries. As a consequence, this evidence implies that commodity and capital markets disequilibrium exist, which cannot be restored along the lines of the monetary union.

Intuitively, this evidence reveals that the common monetary policy cannot ensure higher financial integration in the Eurozone. It is apparent that the key prerequisite for a successful monetary union is homogeneity across country-members. Our empirical results confirm the

above argument. In one hand, countries that share economic similarities with Germany, such as Finland, The Netherlands and Belgium, are shown to be financially integrated with it. On the other hand, there is no evidence of financial integration with countries that are structurally different from Germany. The cases of Greece, Italy, and Ireland attract special attention as no long-run relationship could be identified among the variables of interest. A number of deviations in national policies and market regulations (compared to Germany) may explain the above evidence. In other words, the existing heterogeneity causes permanent disequilibrium in markets, which cannot be handled without exchange rate adjustment.

To put it differently, our empirical investigation provides evidence against the well-known statement “*one size fits all*”. The above analysis implies that the unique monetary policy does not fit to all member-countries. This awareness raises serious concerns about the future of the Eurozone. Further, Germany’s leading role in the Eurozone is in question. How satisfactory is the fact that the leading country in the Eurozone has financially diverged from most of the other country-members? Does the common monetary policy really reflect the needs and objectives of all country-members of the Eurozone? Is the fight against inflation able to solve the current problems in the Eurozone?

These concerns reveal that the EMU is, or will be soon, in trouble. Although, a generous modification of the applied monetary policy could make the differences among countries smoother, the EMU will have the opportunity to solve its problems if efficiently addresses its design weaknesses. Homogeneity across country-members can be achieved through the harmonization of national economic policies and market structures. EMU authorities are currently attempting to achieve market structure synchronization by promoting structural reforms in national economies. However, economic policy synchronization requires even stronger economic integration, which in turn cannot be achieved without political unification.

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Table 1: Cointegration tests

Country	$(p - r_0)$	Pre-EMU period		Whole period	
		J_{Trace}	SL_{Trace}	JMN_{Trace}	SLT_{Trace}
Belgium	5	143.58* (0.00)	106.86* (0.00)	209.03* (0.00)	97.10* (0.00)
	4	73.69* (0.00)	45.95* (0.01)	122.08* (0.00)	55.82* (0.04)
	3	33.70* (0.02)	28.42* (0.01)	50.47 (0.78)	23.27 (0.63)
	2	9.81 (0.30)	9.70 (0.13)	28.50 (0.80)	10.58 (0.76)
	1	0.13 (0.72)	0.39 (0.59)	13.68 (0.61)	3.53 (0.75)
Finland	5	70.19* (0.04)	61.55* (0.04)	233.07* (0.00)	92.19* (0.00)
	4	36.17 (0.39)	34.08 (0.18)	135.18* (0.00)	51.46 (0.10)
	3	14.74 (0.80)	12.61 (0.66)	86.03* (0.00)	33.41 (0.12)
	2	7.54 (0.52)	4.07 (0.70)	42.57 (0.17)	12.77 (0.58)
	1	3.50 (0.06)	0.08 (0.83)	18.37 (0.28)	0.01 (0.99)
France	5	80.58* (0.02)	70.97* (0.00)	208.79* (0.00)	92.88* (0.00)
	4	48.40 (0.15)	36.10 (0.12)	121.33* (0.00)	34.26 (0.78)
	3	23.46 (0.50)	18.68 (0.22)	74.72 (0.06)	25.19 (0.50)
	2	12.54 (0.40)	10.13 (0.11)	43.15 (0.15)	11.76 (0.67)
	1	4.68 (0.32)	3.05 (0.10)	14.77 (0.54)	0.33 (0.99)
Greece	5	77.63* (0.01)	79.01* (0.00)	115.55 (0.51)	52.33 (0.76)
	4	51.93* (0.02)	40.65* (0.04)	75.49 (0.80)	26.11 (0.98)
	3	27.75 (0.08)	15.41 (0.43)	45.69 (0.91)	15.11 (0.97)
	2	9.78 (0.30)	5.43 (0.51)	21.14 (0.98)	3.32 (0.99)
	1	2.55 (0.11)	0.07 (0.85)	8.32 (0.95)	1.94 (0.95)
Ireland	5	74.41* (0.02)	70.99* (0.00)	118.82 (0.41)	55.01 (0.66)
	4	37.26 (0.34)	32.64 (0.23)	75.32 (0.80)	26.99 (0.97)
	3	11.31 (0.95)	11.06 (0.78)	39.39 (0.98)	12.49 (0.99)
	2	3.35 (0.95)	2.06 (0.94)	23.03 (0.96)	5.37 (0.99)
	1	0.05 (0.82)	1.07 (0.35)	10.64 (0.85)	1.94 (0.95)
Italy	5	114.48* (0.00)	99.89* (0.00)	138.32 (0.06)	66.25 (0.23)
	4	65.06* (0.00)	58.01* (0.00)	83.45 (0.54)	40.52 (0.48)
	3	29.43 (0.06)	20.44 (0.36)	48.04 (0.86)	11.92 (0.99)
	2	14.54 (0.07)	14.60 (0.08)	23.38 (0.96)	4.17 (0.99)
	1	0.93 (0.34)	0.23 (0.98)	9.47 (0.91)	1.82 (0.96)
The Netherlands	5	116.87* (0.00)	109.85* (0.00)	172.21* (0.00)	96.14* (0.00)
	4	57.48* (0.00)	47.24* (0.03)	100.14 (0.10)	33.55 (0.81)
	3	31.77* (0.03)	26.67 (0.09)	60.48 (0.39)	15.44 (0.97)
	2	13.85 (0.09)	7.82 (0.57)	33.20 (0.58)	3.40 (0.99)
	1	0.01 (0.91)	0.01 (0.99)	14.26 (0.58)	0.79 (0.99)
Spain	5	101.67* (0.00)	100.39* (0.00)	128.75 (0.17)	84.91* (0.00)
	4	54.14* (0.01)	60.00* (0.00)	70.99 (0.89)	32.65 (0.85)
	3	28.01 (0.08)	21.72 (0.28)	45.82 (0.91)	19.29 (0.85)
	2	7.84 (0.48)	7.49 (0.61)	22.53 (0.97)	8.62 (0.90)
	1	0.52 (0.47)	0.00 (1.00)	10.31 (0.87)	4.64 (0.59)
Denmark	5	Non Applicable		174.24* (0.00)	91.72* (0.00)
	4			117.94* (0.00)	43.76 (0.33)
	3			65.41 (0.18)	19.84 (0.82)
	2			39.87 (0.21)	9.92 (0.80)
	1			16.85 (0.33)	0.61 (0.99)
Japan	5	70.96* (0.04)	77.84* (0.00)	163.25* (0.00)	85.10* (0.00)
	4	33.33 (0.54)	38.27 (0.08)	105.69* (0.05)	46.72 (0.22)
	3	10.35 (0.97)	12.86 (0.64)	60.03 (0.41)	29.43 (0.26)
	2	4.75 (0.83)	5.00 (0.57)	30.36 (0.73)	16.74 (0.26)
	1	1.11 (0.29)	2.65 (0.12)	10.61 (0.85)	3.09 (0.82)

Table 1 (continued)

Country	$(p - r_0)$	Pre-EMU period		Whole period	
		JMN _{Trace}	LST _{Trace}	JMN _{Trace}	LST _{Trace}
Sweden	5	74.14* (0.02)	72.55* (0.00)	164.20* (0.00)	83.69* (0.01)
	4	37.09 (0.34)	37.64 (0.09)	108.14* (0.03)	36.23 (0.70)
	3	10.73 (0.97)	12.41 (0.68)	60.82 (0.38)	18.01 (0.90)
	2	3.89 (0.91)	6.41 (0.39)	34.73 (0.50)	13.69 (0.49)
	1	0.27 (0.61)	2.01 (0.18)	10.32 (0.87)	1.55 (0.97)
UK	5	88.02* (0.00)	86.05* (0.00)	151.86* (0.00)	85.33* (0.00)
	4	39.08 (0.26)	36.22 (0.12)	85.66 (0.47)	39.25 (0.55)
	3	22.18 (0.29)	19.33 (0.19)	50.64 (0.78)	20.97 (0.76)
	2	10.44 (0.25)	7.99 (0.24)	28.97 (0.79)	8.02 (0.93)
	1	3.55 (0.06)	0.08 (0.83)	11.26 (0.81)	2.71 (0.87)
USA	5	101.85* (0.00)	72.52* (0.00)	181.57* (0.00)	102.95* (0.00)
	4	67.77* (0.02)	45.69* (0.04)	101.95 (0.08)	34.87 (0.76)
	3	36.71 (0.18)	23.34 (0.20)	56.24 (0.56)	22.21 (0.69)
	2	18.17 (0.33)	8.38 (0.50)	24.32 (0.94)	10.07 (0.81)
	1	6.28 (0.43)	3.51 (0.27)	11.00 (0.83)	1.27 (0.99)

Notes: The values reported is for $r_0 = 0$, so that $p - r_0 = p$ is the dimension of the VECM. Numbers in parentheses are p -values. * denotes rejection of the null hypothesis at the 0.05 level of significance.

Table 2: Likelihood ratio tests for the structure of cointegrating vectors for the pre-EMU period

Panel A: Two cointegrating vectors							
Country	\mathcal{H}_1 (PPP with unrestricted interest rates, UIP with unrestricted prices)	\mathcal{H}_2 (Only PPP, only UIP)		\mathcal{H}_3 (PPP with interest rates with equal and opposite signs, UIP with prices with equal and opposite signs)			
Belgium	2.02 (0.36)	38.09* (0.00)		10.59* (0.03)			
Greece	6.59* (0.04)	18.27* (0.00)		8.29 (0.08)			
Italy	18.42* (0.00)	63.58* (0.00)		23.78* (0.00)			
The Netherlands	5.70 (0.06)	58.92* (0.00)		40.61* (0.00)			
Spain	4.55 (0.10)	59.61* (0.00)		35.81* (0.00)			
USA	7.69* (0.02)	20.78* (0.00)		11.72* (0.02)			
Panel B: Single cointegrating vector							
Country	\mathcal{H}_4 (PPP with unrestricted interest rates)	\mathcal{H}_5 (UIP with unrestricted prices)	\mathcal{H}_6 (only PPP)	\mathcal{H}_7 (only UIP)	\mathcal{H}_8 (PPP with interest rates with equal and opposite signs)	\mathcal{H}_9 (UIP with prices with equal and opposite signs)	\mathcal{H}_{10} (PPP and UIP jointly)
Finland	8.42* (0.01)	2.80 (0.25)	27.76* (0.00)	11.61* (0.02)	8.41* (0.04)	7.33 (0.06)	8.36 (0.08)
France	11.23* (0.00)	4.96 (0.08)	21.96* (0.00)	24.94* (0.00)	19.75* (0.00)	20.34* (0.00)	24.79* (0.00)
Ireland	11.15* (0.00)	25.94* (0.00)	35.37* (0.00)	27.00* (0.00)	13.07* (0.00)	26.12* (0.00)	26.48* (0.00)
Japan	12.84* (0.00)	15.61* (0.00)	25.36* (0.00)	23.51* (0.00)	21.28* (0.00)	22.51* (0.00)	23.84* (0.00)
Sweden	8.03* (0.02)	19.80* (0.00)	11.92* (0.02)	24.41* (0.00)	8.54* (0.04)	19.98* (0.00)	23.42* (0.00)
UK	24.82* (0.00)	29.89* (0.00)	34.11* (0.00)	34.73* (0.00)	26.83* (0.00)	29.89* (0.00)	32.17* (0.00)

Notes: The LR tests are distributed asymptotically as χ^2 , while the respective p -values are shown in parentheses. * denotes rejection of the null hypothesis at the 0.05 level of significance.

Table 3: Likelihood ratio tests for the structure of cointegrating vectors for the whole period

Panel A: Two cointegrating vectors							
Country	\mathcal{H}_1 (PPP with unrestricted interest rates, UIP with unrestricted prices)	\mathcal{H}_2 (Only PPP, only UIP)	\mathcal{H}_3 (PPP with interest rates with equal and pposite signs, UIP with prices with equal and opposite signs)				
Belgium	2.32 (0.31)	75.26* (0.00)	71.75* (0.00)				
Panel B: Single cointegrating vector							
Country	\mathcal{H}_4 (PPP with unrestricted interest rates)	\mathcal{H}_5 (UIP with unrestricted prices)	\mathcal{H}_6 (only PPP)	\mathcal{H}_7 (only UIP)	\mathcal{H}_8 (PPP with interest rates with equal and opposite signs)	\mathcal{H}_9 (UIP with prices with equal and opposite signs)	\mathcal{H}_{10} (PPP and UIP jointly)
Finland	0.73 (0.69)	7.57* (0.02)	81.90* (0.00)	10.47* (0.03)	1.11 (0.77)	9.96* (0.02)	11.19* (0.02)
France	36.89* (0.00)	7.02* (0.03)	45.73* (0.00)	40.09* (0.00)	37.85* (0.00)	35.76* (0.00)	43.86* (0.00)
The Netherlands	0.84 (0.66)	13.27* (0.00)	12.84* (0.01)	37.45* (0.00)	12.26* (0.00)	13.73* (0.00)	40.81* (0.00)
Spain	30.33* (0.00)	17.39* (0.00)	39.29* (0.00)	45.71* (0.00)	38.71* (0.00)	17.42* (0.00)	45.77* (0.00)
Denmark	2.47 (0.29)	9.08* (0.01)	23.66* (0.00)	30.59* (0.00)	19.71* (0.00)	20.43* (0.00)	29.50* (0.00)
Japan	1.02 (0.60)	17.90* (0.00)	29.37* (0.00)	25.81* (0.00)	12.49* (0.00)	18.51* (0.00)	23.59* (0.00)
Sweden	13.65* (0.00)	4.56 (0.10)	31.52* (0.00)	10.98* (0.02)	10.19* (0.02)	7.92* (0.05)	11.76* (0.02)
UK	23.02* (0.00)	34.16* (0.00)	29.49* (0.00)	39.27* (0.00)	25.48* (0.00)	35.93* (0.00)	37.57* (0.00)
USA	5.85 (0.06)	2.43 (0.30)	29.44* (0.00)	15.60* (0.00)	11.50* (0.01)	11.25* (0.01)	12.81* (0.01)

Notes: The LR tests are distributed asymptotically as χ^2 , while the respective p -values are shown in parentheses. * denotes rejection of the null hypothesis at the 0.05 level of significance.

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An investigation of the effect of economic crisis (2008-2014) in the field of Special Education in Greece, through the perspective of Special Education teachers- a qualitative research

Abstract: The effect of economic crisis, during the last 7 years, is obvious in many fields of public life in Greece. One of these fields, is the sensitive area of Education. Austerity measures led to downgrading of public Education in Greece, and also the consequence on Special Education was enormous. The aim of this study was to investigate the influence of financial crisis on Special Education in Greece, through the perspective of teachers who work in Special Schools or other relevant civil services. Using qualitative methodology, specifically semistructured interviews, consequences on teachers', students' and parents' lives were examined, investigating the opinions, feelings, and experiences, mainly of teachers. Results indicated that many aspects of Special Education were affected in a negative way. The limited number of participants does not allow us to come to generalizations, however, useful information was gained from this study. Inclusive education seems to be a generalized request and also is the request for equal opportunities for people with disabilities. Another finding was relevant with the effects of financial crisis on society, generally. Future research could refer to solutions and proposals for remedial action.

Key words: Special, Education, economic, crisis, effect, teachers.

Introduction

The onset of economic crisis in 2008 has been a landmark for the commencement of significant transitions in Europe, mainly related to the financial situation of European countries; it resulted to social changes that affected population and almost every field of public life, especially in Southern European countries such as Greece, Portugal and Spain. Austerity measures like the freeze and the reduction of wages, work intensification and other, mainly directed by Troika, changed employment and life conditions for millions of people (Bach & Stroleny, 2013; Bach & Pedersini, 2013; Grimshaw, Rubery and Marimo, 2012; Vaughan-Whitehead, 2012). Social dialogue has been disbanded, controlled or limited, leading to considerable costs related to the function of public sector and accordingly to the function of society as whole (Glassner & Keune, 2012).

According to the European Union Statistical Classification of Economic Activities (NACE, 2008), the main categories of public sector are Public Management, Defense and Compulsory Social Security, Education, and Human Health and Social Work. However, there are differences between countries regarding the structuring of the state and its separate functions. Yet, Education is one of the core domains affected by austerity measures in all countries where they were applied. (Bach & Stroleny, 2013).

Eurodice report describes in detail the current state of Education in European Countries, in relation to the economic crisis:

Although high quality education and teaching are necessary for Europe in order to make a quick release from the most severe monetary and economic crisis for the past 50 years, public capitals in all Member States are under excessive pressure.

Governments are looking for ways to decrease budget shortages and handle public debt without pulling to pieces the grounds of maintainable development.

Education finances have been influenced by crisis in many countries, especially in those with large public shortages. Twenty countries/regions reduced their education budgets in 2011 and 2012. Reductions of more than 5% were recorded in Italy, Greece, Latvia, Cyprus, Hungary, Portugal, Lithuania, Croatia, The United Kingdom (Wales), and Romania. Cuts between 1 and 5% were observed in Estonia, France, Ireland, Spain, Bulgaria, Belgium, Slovakia, The United Kingdom (Scotland), French Community of Belgium, and Czech Republic. However, nine countries augmented their education finances, including Luxemburg and Austria. In addition, education finances will continue to undergo cutbacks in some countries in the upcoming years.

Another important parameter associated with the economic crisis is the decrease of the number of teachers in European countries. The number of teachers diminished in one third of European countries for the duration of 2011 and 2012. The main reason reported is the reduction of the number of pupils/students but financial crisis also contributed to this decrease, since in several countries, including Greece, recruitments were diminished or even depositions took place.

Also noteworthy is the reduction and/or closure of educational institutions and schools in many European countries, as a result of the economic crisis. There were also cuts in the budgets for new technologies and for the maintenance of educational buildings, and reductions in teachers' salaries.

All the above affect in a negative way the quality of life of students and teachers and also the educational process dramatically. Such reports reflect the seriousness of

the situation related to education, in the years of financial crisis (Eurydice Report, 2013).

Concerning Greece, it is facing a unique austerity package forced as part of the rescue plan compiled by the Troika. OLME (Federation of Teachers of Secondary Education) delineates the disastrous aftermaths for education and the public in total. Economic austerity measures are a mixture of abrupt escalations in direct and indirect taxes, salary and pensions' reduction and social security diminutions. These cutbacks are well abolishing the welfare state. It is not the workforces, much less the educators that produced this public debt. Yet, it is they who have to withstand the load of austerity (EL news, 2011).

The economy has shortened about 20% since 2008- the worst downturn since World War II- and it is likely to shrivel more by about 25-30% over the upcoming years. Unemployment's rate is 24,8% and the whole number of people who are out of work surpasses one million, with youth unemployment at 52,8%. The government has took over to decrease the public shortage from 13,6% in 2009 to less than 3% in 2014 (ITUC, 2012; Papaioanou, 2012). (Although this research has been conducted before 2015, it would be helpful if we referred to the current percentage of unemployment in Greece which is 24,4% for the last trimester of 2015) (Hellenic Statistical Authority, 2016).

Changes led by economic crisis and enforced as part of the prerequisites for Troika monetary funding, under the terms of the Memorandum of Economic and Financial Policies (MEFP) and its following modifications, have essentially changed the negotiating configuration, disassembling the arrangement which had developed since 1990 (ILO Report, 2011).

Under the conditions of the Memoranda 1 and 2 with the Troika, an autonomous task force on education strategy was introduced in order to deliver a report every three months on measures taken to diminish expenses. The Ministry of Education will have to carry out the compositions of the program team. Thereby, the Greek government is enforced to induct a new idea of the “market-oriented school”, directed by the values of cost efficacy and economies of scale. These strategies lead to the undervaluing of open, public education to the investing strategies of profitable businesses. The reduction in public expenses will be 1,436 million or a 19, 2% decrease between 2009 and 2015. There will also be additional diminutions in the public investment package reserved for educational organizations (Kotsifakis, 2012).

There has also been a 60% diminution in the finance of school boards and parents are being invited to take part in funding. Numerous schools will not be able to buy heating oil in the winter, since prices have increased. 2000 schools in both primary and secondary education will be coalesced. Dialogue with the teaching specialists and local people is unfortunately absent. More closings and merges of educational structures will follow. Further education provision and special education amenities, counting libraries, sports schools, youth centers, special support schools, civic education, art, and ICT courses have been shut.

Although class sizes and schooling hours are increasing, the number of educators has dropped. Between 2010 and 2011 school years, there has been a 12% decrease in the teaching staff and there are now 16.000 less teachers. Many unemployed teachers are recruiting signing contracts with educational NGOs and their services are then “contracted” by the municipalities.

It is obvious that education is one of the most “compressed” fields of Greek Public domain, hit by financial crisis (ILO, 2012).

The criticality of the situation and its impact on Education, especially on Special Education, requires to conduct investigations aimed at reducing the negative impact on this specific field. Studies like this have the purpose to examine the consequences of economic crisis, according to the opinions of those directly involved, like the teachers of Special Education.

Such efforts aim to gather data in order to reduce damage and, in future time, to suggest remedial measures where needed.

Literature review

Educational History and reforms in Greece

Concerning the Educational System and Educational policy in Greece, it has always been a hot issue, since its foundation and especially in the period after the Second World War. Educational policy is ideologically characterized by the movement of “educational reformism” that focuses on the renewal and democratization of what was supposed to be an outdated and incomplete educational system, fighting bureaucracy, fiscal incompetence, social exclusion, and pedagogical dominance. The collapse of the military junta in 1974 gave an extra boost to the democratical renovation of the country and as a result, of the Educational System as well (EPASI, 2008). Many changes have been applied since then, aiming to improve Greek Education. Those reformatations are unfortunately endangered from memorandum and austerity measures that threaten the function of public sector in Greece.

Regarding the educational reform that took place in Greece, its main aims were the service of techno-economical effectiveness and the achievement of social, political, and ideological efficiency. This reform was mostly applied during the years of regime change, called “Metapolitefsi” (1975 until present). Governments took a series of steps primarily targeting to change the structure of educational system. The years of Compulsory Education were increased, from 6, to 9 years. Vocational Training was included in the educational scheme and University education has been upgraded. Concerning the conservative party of New Democracy that governed for the first time for the period that starts after the fall of Military Junta and ends in 1981, its educational reform focused mostly on compulsory education, leaving few opportunities for “lower classes” to enter Universities. However, one of the most important improvements of this period has been the establishment of the use of Demotic (vernacular) Language in Schools and in public life (Bouzakis, 1995; Noutsos, 1986). On the other hand, the socio-democratic government of PASOK that ruled after 1981 concentrated mostly on post-secondary training and education, trying to remove barriers of access in Universities and also supporting vocational training.

The common characteristic of above regimes has been the ignorance of mechanisms that produce social inequality, which act through Educational System. Social stereotypes relative to sex or social status continued to exist for many years since educational reformers hadn’t been involved in the battle against them (Sapouna,2004).

Nevertheless, major renovations (endangered from recent financial crisis) characterize the period of “Metapolitefsi” concerning General and Special Education.

From 1964 to 2002, 6 basic laws about education are set down, whereas for the time period from 1982-2002 11 additional educational renovations are recorded.

Several Presidential decrees, ministerial decisions and circulars are added in above overregulation (Vlahos & Daglis, 2008).

The introduction and use of New Technologies in Education has also been an essential renovation which characterizes the last decades (Firestorm, 2011).

Special Education

Special Education has also been in the center of renovations in Educational System in Greece, especially in recent years.

The history of Special Education in Greece is relatively recent. It began with the development of special schools and recently moved to the model of inclusion. The first law about Special Education was passed in 1981 (1143/1981). The law 1817/2000 follows, including 5 articles on Special Education. There is also the amendment 3194/2003. The last two laws followed the pedagogy-centered model. In this context also other educational services were developed, like the assessment procedures of special educational needs.

Above laws couldn't include or predict the necessary arrangements for special education, leaving gaps behind them.

On the contrary, the new law of 2008 was a comprehensive legislative effort that recorded, consolidated, updated and enriched the existing legal regime for Special Education into a single framework law which improved the understanding of basic principles of Special Education. One of its basic principles is the obligational character of special education, bringing it into the line with the provisions relating to the general education. Furthermore, it expresses the political will for significant inclusion of people with disabilities. It introduces the term "Special Education and Training", replacing the

term “Special Education”. The new term embraces all children, exercisable or not, trainable or not, without discrimination. Moreover, it introduces the international definition of disability as an extension of human existence, emphasizing in functionality, ability and participation and not in disability.

The law of 2008 redefines the purpose of Special Education that is to ensure equal opportunities for full participation, independent living, and economic self-sufficiency of people with disabilities. Besides, it identifies the national policy for Special Education that is the co-training of all students in General School. It determines who the beneficiaries are for Special Education. Additionally, it introduces, for the first time, the official definition of students with special mental abilities and talents. Through the law of 2008, centers of assessment (KEDDI) were founded, the statute of early intervention was introduced, and many other changes in Special Education took place (Stilianidis, 2008).

The impact of Economic Crisis

All changes and reforms described above are unfortunately endangered from economic crisis and austerity measures. Federation of Teachers of Secondary Education (OLME) lists, in a letter send to European Parliament, the most important effects of memorandum policies on Education in Greece: There was a 33% decrease of public expenditures for education (2009-2013) and 47% predicted decrease until 2016.

Many schools have been closed and many educational support structures (school libraries, remedial teaching, Counseling stations and other) have been removed. More than 1.200 schools have been closed in 2011, including schools of primary and secondary education and 102 vocational schools have also been shut.

30.000 fewer teachers in secondary education means a 30% reduction of educators since June 2010. 10.000 deputy teachers were dismissed. A number of only 390 teachers replaced them this year. 3 major fields (health, arts, and aesthetics) of vocational schools were abolished, leading 10.000 students to stop attendance or change specialty. 5.000 teachers of primary education were moved to administrative positions. Annual salary of teachers reduced in a percentage of 22%-45%.

The number of students per class was increased to 30 students from the number of 25 that was the rule before, a fact that affects negatively the educational process. All above changes have an enormously damaging outcome to the educational procedure (OLME, 2013).

Regarding Special Education, problems were obvious years before the emergence of economic crisis.

With the entrance of Greece in European Union (1979) Greek state was obliged to: a) abandon discriminatory policies and the outdated social practices for people with special needs and b) to abolish old legislation and to introduce new democratic institutions which would install new structures and services. These services would allow people with special needs to regain their dignity by recognizing their political, social, and individual rights.

In March 1981, law n.1143/1981 was enacted in order to regulate issues relating to Special Education. Unfortunately, the authors of this legislation ignored the International Bill of Human Rights, completely. This law included discriminations and humiliating characterizations for people with special needs. The following law, n. 603/1982 was an attempt of correction followed by law n. 1566/1895 which introduced

Special Education in the Public free Educational System. The state finally took special measures for the protection of disability, youth, and indigents.

However, even though more laws were enacted relating to Special Education, (n. 2817/2000, n. 3194/2003) there were shortcomings in institutions and structures.

One of the weaknesses was the adherence to a peculiar and dangerous bureaucratic centralized model of power and control of the Special Education School Units. Any scientific, democratic, and social participation was prevented by the Ministry of Education. An extreme corruption existed, that threw the sensitive field of special education in a dark labyrinth without outlets for people with special educational and other very serious needs.

Another weakness has been the reference to a host of presidential decrees and ministerial decisions to set simple or complex matters which "wore" the structure, operation and establishment of SMEA, the KDAY, and appointments, transfers, postings of staff and selection strains of special education by involving service councils disputed constitutional and democratic legitimacy.

Last but not least, distinct roles and responsibilities of those involved in administrative and political centers that manage issues of special education have never been clarified.

Furthermore, financial crisis added additional problems for Special Education to the already existing adverse condition (ISE, 2005).

According to the National Federation of People with Disabilities (NFPD), 2013 has been the worst year ever for people with disabilities. Special Education is collapsing with unprecedented cuts, social discrimination and racial exclusion. Education has been marked, like all social and economic sectors, from the deep economic crisis facing

Greece, inevitably creating particular concern to people with disabilities. This concern is justified, if we consider that thousands of students with disabilities, even in robust economic times past, remained excluded from all levels of the education system. Some of the chronic deficiencies of the educational system in Greece, faced by disabled students are the following:

Lack of accessible school buildings , problems and shortcomings of the system of movement of students with disabilities , deficiencies in timetables and educational materials of Special Schools and Inclusion Departments of General Schools, delays in recruitment of teachers in special schools , failure to provide parallel support and inclusion to students with disabilities lack of specialized staff which hampers the provision of adequate educational services , and lack of educational books accessible to people with disabilities .

Data of the Ministry of Education reported that 89% of children with disabilities are excluded from the educational system and mainly children with severe intellectual disabilities, autism and multiple disabilities, although last Law n. 3699/85 and the previous Law n.1566/85, report for compulsory education for children with disabilities.

Yet, Special Education is a guaranteed constitutional right in Greece (Zoumboylidis, 2013)

Except of Federations of people with disabilities, teachers of Special Education also indicate the problematic situation and complain about it. As they explain, the already undermined Special Education today "is left to chance with the pretext of economic crisis." Proof of current desertion follows:

Institutions offering special education services are abandoned to their fate, because the subsidies are reduced dramatically. Care or accession design is not

provided for 185,000 children with disabilities, which are excluded from Special Education. Hundreds of employs in Foundations / Associations / Centers work unpaid for many months, experiencing financial problems. Many public institutions and special schools have been closed. By scaling dismissals or liability of the measure of labor reserve, the state tries to close even the oldest/ historic institutions. The collapse of services leads to storage of people and not training or education. The educational structures degenerate to warehouses of custody. Despite the low quality of care, the state demands extra money from families, in order institutes will be able to endure. Given the above, employees have no more tolerance, according to the National Federation of Employees in Special Education (PFOWIE, 2011).

Furthermore, in times of great economic crisis groups that receive the greatest pressure are the most vulnerable social groups. Social state does not give the same priority to all citizens. Those who are rich do not need social policy. On the other hand, people with disabilities cannot have a satisfactory quality of life without the support of social state. Simultaneously, we have to accept that a condition of progress is solidarity and cohesion. Special Education has to be a field of priority and not the “beggar” of the state.

Current economic crisis just revealed the preexisting problematic condition. In previous years, various measures in order to support people with disabilities where taken, but concrete steps in order to achieve them were absent. A characteristic example is that of the inclusion of students with special educational needs in General Education. Although their participation in General Schools has been legislated years ago, only a small percentage of them (10% of students of elementary schools and 1% of students in middle and high schools) attend mainstream education at the present moment. It is

obvious that the state merely institutionalizes integration policy, without taking the responsibility of implementing it.

However, reality is a social construction and we are all responsible for its creation, the state and the citizens of Greece, consequently responsible for the implementation of the law and interventions concerning Special Education (Tsoulas, 2013).

Given the urgency and the criticalness of the present condition concerning Special Education in Greece, induced by economic crisis and governmental wrong choices, the present study will try to shed light on aspects of the situation, will attempt to fill the existing research gap, and to determine the effect of financial crisis on the function of Special Education in Greece.

It is important that similar research efforts will be conducted in order to reduce the negative impact on education and give solutions for the improvement of the situation.

Research questions

Regarding the purpose of the present research, it is to examine the effects of financial crisis on the function of Special Education as perceived by teachers, and to identify its main areas that are affected by economic crisis. Another aim is to investigate whether this effect is positive or negative.

The above purposes are described through the following research questions:

- 1) What are the beliefs of teachers of Special Education about the impact of financial crisis on Special Education? These beliefs will be represented by the key aspects of Special Education affected, as perceived by teachers.

- 2) Is the impact of economic crisis on Special Education positive or negative according to the opinion of teachers?

The hypothesis of this study is that “the effect of financial crisis on Special Education is negative and that it affects many aspects of Special Education”.

This hypothesis arises from the literature review and current data.

Methodology

This study was based on qualitative approach. The researcher who uses qualitative methods observes, takes interviews, takes notes, describes, and explains the phenomena as they are. He/she is always active because all the elements are used, even the way participants are sitting or talking (Eisner, 1991). There is a need for combination of data and conditions in a rational way, aiming to come to a conclusion, helped by observations. After the collection of data, the stage of interpretation follows. Relevant bibliography and co-workers give the necessary help. The investigator decides what is important or not, but his/her way of interpretation of facts, his opinion, and the final text are always subjective and depend on the person who conducts the study.

Participants and their narratives are described through qualitative methods. Results are affected by the culture-civilization of the researcher, who tries to explain data and come to a final conclusion.

What is important in qualitative studies is the judgment of the investigator and of the final readers of the study (Paraskevopouloy, 2008).

Given the specificity of the topic of this paper, a combination of quantitative and qualitative methods was supposed to be applied. This mixture of methods is called triangulation. It is a mode used by qualitative investigators. It helps them to check and

fortify validity in their studies by examining research question from various viewpoints. There are several types of triangulation. As regards data triangulation, it comprises from unlike sources of data in order to amplify the validity of the research. Investigator triangulation includes several different investigators participating in the analysis procedure. Theory triangulation consists of the use of multiple viewpoints in order to understand a single set of information. Environmental triangulation means the use of altered places, settings, and other important aspects connected to the situation in which the study was held, such as the time, day, or season. Last but not least, is the methodological triangulation which includes the application of various qualitative and/or quantitative methods (Guion et al., 2002; Patton, 2002).

A combination of methods was supposed to be applied in this research, however there were obstacles that prevented using quantitative data. Such an obstacle was the limited number of participants which could not serve further quantitative analysis. Quantitative methods and statistics could be used in order to define the key aspects of Special Education affected and to study whether the impact is positive or negative. Finally, qualitative methods as semi-structured interviews were used aiming to collect the opinions of teachers and to convert them to manageable and analyzable data. The latter brings the discussion on methods of data collection.

Data collection

Data collection is conducted through various methods and one of them is the interview. In the social research interview, the intention is for the examiner to provoke from the examinee or the respondent all types of information: interviewee's own actions or that of other people, attitudes, standards, opinions, and principles. The main forms of interview are the structured interview, the semi-structured interview and the

unstructured interview. Since this research followed qualitative approach, the most suitable method for data collection, according the opinion of the author, was semi-structured interview. Semi-structured interview is a term that covers a wide-ranging variety of cases. It usually means a setting in which the examiner has a series of questions that are in the general formula of an interview agenda but can diverge the order of questions. The questions are often slightly more general in their context of reference from that usually met in a structured interview schedule. Also the examinee usually has some freedom to question more topics, responding to what are seen as important answers.

A focused interview would also be helpful in the present study. This term refers to an interview using mainly open questions about a precise condition or incident that is related to them and of concern to the investigator (Bryman, 2004). For example, an interview centered in the question: “which do you think are the key aspects of special education affected from economic crisis?” and/or “Which do you think is the impact on every aspect?” and other open or general questions which will determine the main factors described by this study, will serve the purpose of this paper.

Additionally, interview is one of the basic instruments of qualitative method. It is the interaction and communication between people, which is guided by the investigator aiming to extract information, relevant to the objective of the research (Cohen & Manion, 1992). In other words, it is a technique aiming to create a “mental content”, to reveal facets of personality, and to recognize behaviors. It’s basic instrument is a conversation which takes place between two or more people. (Mialaret, 1997). Tuckman (1972) defined interviews as the ability to “enter” in the mind of participants (subjects). Interviews project the knowledge, the values, and the perceptions of the participants.

Data analysis

Regarding the technique that has been employed in order to analyze data, thematic analysis has been selected among the available methods. This technique is used for a broad spectrum of data and evidence analysis such as letters, diaries, speech texts, notes, and elements that occur from a research procedure like the present. It is a coded common reason, a refinement of methods that could be used from common people in order to describe aspects of the surrounding world. “Thematic analysis is defined as a research method aiming to subjective interpretation of a text’s content, through the systematic procedure of determining, classifying and coding topics or patterns of the phenomenon that is being investigated” (Ballas & Gelinos, 2011). Thematic analysis is considered as a one of the most appropriate methods of qualitative research. The first step is the formulation of the research questions. The second step is sampling, a procedure that will be described in detail for the present study. The definition of recording unit follows. This unit is usually a word. The simplest version includes the handling of all the entrances of a specific word, counting, and comparing them. Next step is the construction of categories for analysis. We can count various categories (Holsti, 1969) and some of them are: object, direction, values (which are the revealed values), aims (revealed goals or intentions), methods, characteristics (which characteristics are used in order to describe people), perpetrators of acts, power, locality, conflict etc. Generalized and mutually blocked categories are preferred. A functional definition of categories should be given, in order to make clear what are the indexed we look for. “Classification of categories is the most crucial aspect of thematic analysis” (Robson, 2010). Examination of categories on text samples follows and also the evaluation of reliability. Deep interpretation of qualitative data is next (Robson,

2010). Thematic content analysis is a widespread method of qualitative analysis, a fact that will raise its application in future years (Ballas & Gelinos, 2011).

Interview guide

Regarding the stage of the research design, an essential element is the planning of a functional interview guide. This guide includes a sequence of subject parts which have to be covered during the interview. In case of the present study, a semi-structured interview was selected to be applied, because we wanted the study to show off the important and crucial issues of Special Education in Greece. These issues are relatively recent, consequently we prefer concerns to emerge from the research material and not to be directed from the investigator (Iosifidis, 2003).

Interview guide for teachers who work in Special Education (investigating their perspective about the impact of economic crisis on Special Education)

General aim of the study: The investigation of the economic crisis through the opinion of the teachers who work in Special Education.

Demographic and job characteristics

Gender:

Age:

Family status:

Workplace (public or private school):

Years of experience in the field of Special Education:

Choose the field were you work:

-Primary Education

-Secondary Education

-Other

Choose the Type of School

-General School

-Special School

-Other

Residence (choose on to the following): Town

Village

Large village

Education: University (Pedagogics)

Other

Basic research questions:

- 1) In what way, according to your opinion, economic crisis (since 2008) influenced Special Education? (fields that were most affected)
- 2) Was that influence a positive or a negative one?
- 3) Was there any consequence on your personal wellbeing as a professional of Special Education?
- 4) In your opinion, are the needs of the children being met?
- 5) Are there more recourses or fewer?
- 6) Are there more teachers or fewer?
- 7) Which were the consequences on your students' and their parents' lives?
- 8) Which were the consequences on the society as a whole?

Above questions aim to enhance communication and conversation and give the opportunity to the participant to freely express his/her views.

The main reason for adding demographic and job characteristics is that they strongly influence the view of the participants and consequently the results of the study. Tsui & O'Reilly (1989) state that demographic features of persons like gender, age, race, and education, have long been thought significant variables in psychological inquiries (Zedeck & Cascio, 1984). Regularly demographic variables are significantly related with specific views, attitudes or work results (Tsui & O'Reilly, 1989).

Although we are not conducting a quantitative study, these characteristics may give us valuable information about the individuals who participate in this study and for the possible reasons and explanations that formed their opinion. The same applies for job characteristics. However, the latter may have a greater influence on the responds since they are strongly related to the research questions.

The sample

The frame of sample consists of teachers who work in Special Schools, General Schools, and other structures of Special Education in Greece. Since it was impossible to study all the population, expediency sampling was chosen. The aim of the present research is not generalization of the results but better understanding of the issues that are studied. The sample was chosen inventively and not by chance. It was considered that the participants had all the characteristics, knowledge, and ability to give full and in depth answers regarding research questions. It is a subjective method (Marshall 1996; Thompson, 1999; Ballas & Gelinos, 2011). It has been a difficult effort since the researcher does not work in the field of education. However, she tried to do her best in order to gather as many data as possible. Given the above circumstances, there were surely many limitations of the present research. The sample was not representative, so that future generalization will be inhibited. There were many teachers that refused to participate or others that found it difficult to understand the purpose of the present study. Participants were found in conferences, forums, professional and trade union gatherings because it was an easier way for the researcher to approach them. This means that they are characterized by specific qualities and features. They are usually the ones that care and are directly involved in the procedures of solving professional problems. But others who are less interested may have been excluded due to this fact. These problems will be discussed in detail in the “Limitations” section.

Ten teachers of Special Education who were considered to fulfil the prerequisites of the study and they also wanted to participate, were interviewed. Some of them had permanent job, paid by Ministry of Education whilst others worked with temporary contracts, a fact that affects their opinion and consequently the answers in research questions. Another characteristic that influenced the content of the answers was the workplace, since some of the teachers work in general schools supporting

students with Special Educational Needs whilst others work in Special Schools. The age of the participants also played an important role since younger teachers are more insecure regarding their work comparing to their elder colleagues.

Apart from teachers, the opinion of other people involved in Special Education's practice, like parents, is valuable. That is the reason why parents and also people who represent disability organizations and unions were interviewed in order to have a better understanding of the research topic. Comparing views is helpful when we want to come to lucid conclusions. Moreover, parents and students can suggest solutions since they personally bear the consequences of the current situation. 2 parents and 3 representatives of disability unions were interviewed in order to have a full representation of the studied issue. Representatives of disability unions know better than others the needs of people with Special Educational Needs and show interest in solving relative problems.

Interview procedure

Participants were approached and informed about the purpose and the content of the research during gatherings of unions, conferences and other similar assemblies. As soon as after informing they were asked if they wanted to participate in an interview and a promise was given regarding anonymity. Most of them had negative attitude towards recording, consequently their answers were written by the researcher who took notes, a fact that impeded communication and research process. Writing and listening at the same time restrains eye contact and other elements of communication and it also prevents the researcher from having a full picture of the participant, including signs of non-verbal communication. Informed consent of all the participants was purchased and a quiet place was usually selected in order to conduct the interview. In

some cases the interview was held in the same day while in other cases time and place were arranged and interview took place another day.

Content analysis

Conventional content analysis was employed because it is the type of analysis used in researches targeting at describing a phenomenon. In case of limited theory or bibliography it is the best type that can be used. The application of prerequisite categories is avoided. Categories and codes come from the content of the text (Kondarcki & Wellman 2002; Ballas & Gelinos, 2011). This particular type of analysis leads to deeper understanding of a phenomenon. The steps that are followed are: unprocessed text-----→ coding of text----→ comparing of codes in order to track down similarities and differences---→ creation of thematic unities using the codes----→ linking of thematic unities with bibliography (Ballas & Gelinos, 2011).

Data came from the notes which were taken during the interviews.

Topics which occurred were the following:

- Abolition of educational structures.
- Limited number of teachers working in special education.
- The needs of children are not being met.
- Parents are not supported properly.
- Inclusion.
- General issues of disability.
- Social exclusion of people with Special Educational Needs.
- Greek society during financial crisis.

Data for every topic were gathered in separate texts. New texts were defined as units of analysis. Every unit was separated in notional units that were coded. A title was given in every notional unit.

Example follows:

Topics	Notional units
Abolition of educational structures	- Children have to go to another school, which brings problems of transportation, adaptation of the child to a new environment, impeded educational process or even dropping out of school.
	- Teachers often have to change workplace and adapt to a new one.
	- Teachers often have to work in more than one schools, sharing the hours between classrooms.
	- Unemployment
	- Administrative and organizational difficulties
	- Limited educational substructures
	- Downgrading of educational substructures.

	<ul style="list-style-type: none"> - Closing structures of Special Education prevents many children from education since their condition does not permit them to go to general school.
	<ul style="list-style-type: none"> - Issues of inclusion
Suspensions of personnel and limited number of teachers working in Special Education, unpaid teachers.	<ul style="list-style-type: none"> - Teaching and consequently learning is impossible in many cases.
	<ul style="list-style-type: none"> - One teacher is responsible for many students, so teaching is difficult and only guarding is provided for children.
	<ul style="list-style-type: none"> - Many teachers are unemployed and straggle for survival.
	<ul style="list-style-type: none"> - Many teachers have lost their job
	<ul style="list-style-type: none"> - Parallel support of students with Special Educational Needs in general schools is impossible due to the limited number of teachers.
	<ul style="list-style-type: none"> - Psychological and other health problems of teachers due to their unemployment.

	- Insecurity of teachers concerning their work.
	- Inability to teach due to psychological condition.
	- Financial insecurity, poor living conditions for many teachers.

The rest topics follow (for reasons of space they are not described fully here but they will be discussed in the “Discussion” chapter)

Limitations

It is obvious that this study had many limitations. First of all, regarding the sample, the way of collection was not representative, given that it is complicated to apply such a type of assortment. Consequently, future generalizations will be inhibited. Furthermore, factors such as age, years of work experience, the place of school etc. intervened in the results. This is due to the aims of the research.

In addition, another problem appeared, that of collection of data and searching of participants. It was difficult for the researcher to go to schools and find participants, so she approached them during union gatherings, conferences or other assemblies. But, people who are interested in syndicalist and educational issues may give different answers than others who prefer not to participate. However, many of them refused to participate in the present research, for different reasons. Others did not find it useful to conduct such kind of researches. Others were afraid of losing their jobs, since they did not have a permanent job contract, whilst others found it difficult to be interviewed,

since it was their first time and they did not have such experience. Greater participation was expected but it was prevented due to the above reasons.

Concerning quality issues, the limited number of similar studies in Greece, for now, obstructs the test out of results and their comparison with similar data. Furthermore, issues of procedure weakened the quality of the research. Such an issue was the way the researcher took notes instead of recording the interviews. Valuable information was lost, especially that referring to the reactions of the participants and to the non-verbal signs of communication.

Another issue worth mentioning is that many of the problems described in the answers are permanent problems of Greek Educational System. Consequently, this fact could confuse the researcher who seeks for the impact of financial crisis on Special Education and not for past deficiencies or shortages of Greek Educational System. However, crisis has exacerbated the conditions and it was difficult for the participants to distinguish between current and past difficulties. Most of them found a chance to express their opinion and to communicate their requests.

Other samples or other research methods may reveal different aspects of Special Education affected by economic crisis. While the subject of the present study is active and circumstances change from one day to another, different results than expected may appear in the end of the procedure.

Ethical issues

Given the sensitivity of the data which were collected, anonymity is an issue of priority in this research. Every participant has the right in anonymity but, especially in this study, participants are public servants and the expression of their opinion may have

a negative impact on their work or they may be afraid that it will have. Thus, anonymity has to be guaranteed.

Furthermore, an informed consent of the participants is essential, since they have the right to give their permission or not to participate in this study. We do not have the right to fool them or to distract their views by force or cunning ways.

In addition, we have to be very careful in order to avoid to sway their opinion. This can be guaranteed through the careful preparation of the interviews and questionnaires and the extraction of questions that influence the view of the participant. However, it was difficult to avoid terms like “financial crisis” or “negative effect”, “positive effect” that served the purpose of the present research. But, in the end, participants could give their own view on the problems and choose what to answer.

Finally, it was decided not to include the whole text of the interviews in this paper, protecting participants’ answers from being public and preventing anonymity.

Discussion of the results

Apart from the topics that have occurred from the interviews there are also some issues worth mentioning such as the limited number of participants and the reasons that make people avoid being interviewed. It seems that current economic condition in Greece rises insecurity of employees in general, and specific teachers, speaking for the present research. People are afraid of expressing their opinion because they are scared of losing their job. Their manager or their boss could be aware of their views and dismiss them. Furthermore, Greeks are not used to being interviewed, until recently. It

feels like interrogation for many of them and they avoid it “like the devil”. Some of them just turned their back on the interviewer.

The attitude of people who participated has also an important role to play. They seemed cautious at first and showed reservation until they finally accepted the invitation. The fact that the researcher was not a teacher made them guarded. They preferred to express their views to a colleague.

Another “hot” issue is that of feelings and emotions expressed during interviews, through words or non-verbal signs. Faces seemed worried, smiles were rare and anger was diffused in the surrounding atmosphere. Their words verified the speculations: distress, depression, anxiety and anger were common emotions between the participants. It seems that the topic of the research guided their emotions, since it was about financial crisis, a “negative” and “depressive” subject. However, it is obvious that their psychological well-being is influenced from crisis such as the quality of their life as a whole.

Regarding the topics that have emerged, the most relevant to crisis was that of the “dismissal and the limited number of teachers”, a hot issue when this research started. Many changes have occurred since then. A new Government was elected and it is supposed to “correct” injustice re-employing dismissed teachers and other public employees who lost their jobs during the crisis’ years. However, interviews were conducted before this elections and we will stay in touch with the texts of the interviews that reflect the beliefs and feelings of the participants. Most of the participants describe in “black” colors the dismissals of teachers and their impact on special education. Especially young teachers experience greater fear and insecurity. The limited number of personnel is emphasized and also its influence on the educational process. Children

with special educational needs require more teachers to support them. But, unfortunately, the number of teachers is falling while the quality of special education is also deteriorating. Parallel support and inclusion of students with special educational needs are disallowed because of the restricted number of teachers. Moreover, psychological well-being and survival of unemployed teachers is threatened due to work conditions.

The next –relevant to financial crisis- topic is the abolition of educational structures. It is an issue that equally concerns parents and teachers. Downgrading of educational substructures, dropout of students and adaptation to new environment are the subjects that are often described in this section. Unemployment of teachers and insecurity are also mentioned. Problems of transportation play an important role, especially for those have to change workplace or attend a remote school. Some answers are individualized and participants describe the situation from their point of view, giving emphasis to personal problems that reflect the concurrent condition. Parents of children focused on their child's and family's needs while teachers gave a more general description.

Another topic refers to the needs of children. We have to admit that some of the problems which are described here existed before financial crisis, however, they worsened due to the crisis. Lack of educational materials, limited number of teachers, dysfunction of inclusion classes and shortenings in mental health personnel are emphasized. Disability benefits, diagnosis procedures and unmet fundamental needs of children are essential issues here. Children are at the center of Special Education and exceptional attention must be paid to them.

Inclusive education has been established by international organizations like UNESCO and was promoted through guidelines of European Union, however it is difficult to be achieved through hard time of financial crisis. Parents, teachers, and also people with disabilities support inclusion but some of them are cautious and are afraid of that it will be used as an excuse in order Special Schools will be closed.

Parents need financial and psychological support, and that is another topic of the research. Children usually need extra help from other professionals such as doctors and various therapists and parents have to bear all these extra costs. Although parents of “disabled” children usually show enormous psychological strength, it is obvious that services applied for them must also be established.

Disability in general was expected to occur as a theme, since children with special educational needs are also included in the category of the “disabled” people. The main issues emerged here were the shortage of structures, the equality of opportunities and the classification of (disability based) medical model. It seems that international guidelines are difficult to apply in Greece where lack of planning and shortage of proper administration are evident. People with special educational needs and parents are more “sensitive” in issues of disability.

Social exclusion and discriminations for people with Special Educational Needs are still present in Greece and special care has to be taken in order to fight them. Discriminations at work and in educational settings are more often. Disability movements claim equal opportunities and confront stereotypes. They also claim new legislation, able to support their requests.

It is widely acknowledged that Greek society suffered from financial crisis and subsequent austerity measures, consequently the last topic was expended. Suicides and

poverty were the “hot” subjects of this section. Neglect of people with disabilities and psychological consequences were also mentioned. Insecure future and poor living conditions are in the center of the descriptions. It seems that people involved in Special Education are not indifferent in general problems of the society as a whole.

Conclusions

The present research in the field of education is a result of reviewing the relative bibliography that indicates a negative effect of financial crisis on Special Education. This effect was examined through the opinions of teachers of Special Education and also parents, and people with disabilities. The results suggest that various aspects of Special Education are affected negatively. However, more studies have to be conducted in order to come to clear conclusions. The limited number of participants does not permit generalization, however this research gives us valuable information about the beliefs of teachers and parents and also some suggestions that could be used in order to modify current legislation and structures of Special Education. Inclusive education seems to be a widespread request and also equal opportunities of people with disabilities. Another finding is that financial crisis had an enormous negative effect on Special Education but also on society as a whole. A subsequent investigation may refer to solutions and propose remedial measures.

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Last accessed 20th December 2013

Title:

International Organizations of Educational Planning, Government Policies and School Management and Leadership

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Abstract

The world is amidst a turbulent era with impacts on all aspects of social life and social systems, including that of education, especially in the so-called recessionary economies, as the Greek one. In the framework of the development of a better type of public administration, major international organizations for the economic growth and prosperity, namely the OECD and the European Union, have provided Greece with Guidelines and Better Policies. Recent government policies in education reflecting these guidelines have created an immense agitation among all educational partners, teachers, students, parents and local authorities, as the latter seem not to understand the rationale behind them. The government rhetoric –though echoing different political areas every time- always includes the argument of the necessity of a planning process to respond to the volatility in schools' external environment and to provide an appropriate basis for their internal management and leadership.

This paper investigates the role of the international organizations of Educational Planning in designing governmental educational policies, their impact on the macro-level of recessionary Greece and the role of school management and leadership in coping with problems in Greek schools. Moreover, this paper explores other relational factors of the Greek reality that add to recession and put an extra burden on school praxis, thus making governmental policies and international guidelines difficult to apply and easy to provoke disillusionment to education partners. Finally, the paper discusses the peculiarities of the Greek educational landscape and proposes new paths for research that can facilitate the introduction of structural changes and further development.

Key words: economic crisis, educational planning, government policies, school leadership, Greece

Introduction - The background of this study

In recent years, Greece has been in the eye of the economic recession cyclone caused by the financial markets. One of the 22 most developed countries in the immediate past, the country was found lost in the middle of a problematic institutional context and in the prey of wealthy tax evading citizens. The immediate effects of the situation have been obvious on the socio-economic level: de-structuring and shrinking of the economy, loss of jobs, extended youth unemployment, loss of property due to bank loans, poverty-stricken families. So far, the state's main preoccupations have dealt with reorganizing the institutional structures so as to contribute to growth, as well as to comply with the obligations resulting from the external borrowing agreements, to which the state had resorted to overcome flux problems. In doing so, the Greek state seems to swing back and forth, between its traditional neo-marxist political, economic and –consequently- administrative profile and the neo-liberal austerity and restructuring economy and public administration measures imposed by the international organizations representing the interests of the international, impersonal creditors.

Although much has been said on the role of international organizations and their share in the causes and impacts of crisis (from a macro-economic perspective), little research seems to have been done on the influence of these organizations at the micro level (Gouvias, 2007), for instance, on the Greek schools, in a milieu of crisis .

The structure of the Greek educational system does not encourage (external) researchers to work closely with educational leaders within the school in order to

gather systematic and trustworthy data for an in-depth analysis¹; as a result, there is not enough educational research evidence to rely upon for our discussion.

Consequently, this paper does not present new empirical research; it attempts to bring together work from various fields and literatures, which all provide a specific take on the impact of educational planning organizations on Greek schools' structure, management and leadership in the middle of a raging economic crisis.

Definitions

Discussion in this paper revolves around two principal terms: educational planning organizations and management and leadership in Greek state schools.

Educational planning organizations are international designing and planning entities whose aim is to deliver guidelines and directives to their member states for the improvement of the states provision of education. According to these organizations' rationale, education is one of the most important pillars to ensure economic growth and enhancement and, as such, it deserves special care and support. Support is provided to member states usually in the form of strategic orientations and policy designing guidance. The most prominent among these organizations are the OECD (working closely with IMF's education staff and the EC), the IIEP of UNESCO, and the European Union. In this paper, discussion about these organizations' micro-level impacts on Greek education will be confined to the agency of two organizations, the OECD and the EU.

¹Systematic field research data can be collected easier by ministerial agencies officials who also analyze and interpret data according to their targets and standards. Collection of such data, though conceiving some bias, has also not been done so far.

The most important of the influences of international educational planning organizations discussed in this paper deals with the meaning content of the term “school leadership”. The recent tensions in the Western and/or Europe in the field of education subsume management into leadership (OECD, 2008a, b, c), although the two sets of roles remain distinct: management is more closely associated with maintenance of current operations while leadership involves steering organizations by shaping other people’s attitudes, motivations, and behaviors (Bush & Glover, 2003). A bit earlier, Dimmock (1999) had provided a distinction between school management, administration, and leadership: Management involves routine maintenance of present operations; administration has to do with lower order duties while leadership includes “higher order tasks designed to improve staff, student, and school performance”. The OECD report (2008a) concluded that the above elements “are so closely intertwined that is unlikely for one of them to succeed without the others”.

The international organizations reports have been based on literature and research from decentralized (UK, Canada, Australia, New Zealand, and USA) systems (Leithwood and Day, 2007; Leithwood and Riehl, 2005; Woods, 2005; Moos and Johansson, 2009; Yukl, 2002). In these texts, school leadership appears as an “umbrella” term covering both managerial and leading domains, competences, and skills.

However, the understanding of leadership in the Greek educational context is differentiated. The Greek equivalent word is largely used for the persons on top of the Ministry of Education or anyone with political power in the field to design policy and take decisions. Although the content meaning of the word remains the same, that is, the power and/or role to shape behaviors, performances, and attitudes, leadership is

considered the highest order task attributed to ministers, politicians, or successful entrepreneurs (Mpourantas, 2005). The conceptualization of leadership in western literature is new to the Greek school context. The notion has been introduced quite recently through the recommendations of international organizations (i.e., OECD, 2012). Nevertheless, leadership is still difficult to understand in regard to the roles and responsibilities of the Greek Head teachers, as shown by recent research (Banelli, 2015).

Methodology

This paper draws upon work from various literature contexts, with emphasis on OECD and EU data and the texts of Greece's recent agreements, called Memoranda for brevity's sake. The method chosen for the purposes of this paper is that of the Descriptive Analysis (Wolcott, 1994): a. Collected data are used to inform researchers about the impact international planning organizations have on national government policies b. An attempt is made to analyze the information provided by the data, identify key factors and possible relations among them, and interpret the findings so as to reach an understanding of the issues Greek school head teachers are confronted by in everyday praxis c. Analysis of impacts is accompanied by critical discussion on how these educational planning directives in combination with other crisis factors affect the micro-level of schools.

International Planning in Education: EU and the OECD, their role and methods

The EU's role is to help member states to develop high quality education through the DG EAC support and member states cooperation so as to enhance economic growth and development. EU does not intervene directly in member state legislation regarding the content of teaching and the educational system organization; it

encourages the cultural and linguistic diversity and the mobility of citizens, a fact that actually facilitates the mobility of the working force. It is officially stated: *“While the responsibility for education and training systems lies with the Member States, the EU has a key role in supporting and supplementing efforts to improve and modernize their education systems”*. This is because: *“In a globalised and knowledge-based economy, Europe requires a well-skilled workforce to ensure that it can compete in terms of productivity, quality, and innovation. Recent evidence, however, suggests that there is a growing mismatch of skills between the workforce and labour market, factors which contribute to unemployment and limit growth”*.²

The EU has employed a variety of methods to transmit tendencies, introduce policies and achieve goals in education. This is mainly done through the Open Method of Cooperation, OMC, (Lange and Alexiadou, 2007) and via the so called “soft law”, that is: communiqués of Ministers of Education Conferences (i.e. the recent Yerevan Communiqué), White and Green Books (the European dimension of education, employability and competitiveness), funded³ educational programmes and funded educational networks, as well as “Country Specific Recommendations” and “Monitoring”⁴. Monitoring is based on specific indicators, according to strategic priorities, and each year goals aim at working towards the EC 2020 Strategy indicators.

²http://ec.europa.eu/education/policy/index_en.htm

³ Structural or Social Funding. For example, the compulsory Early Childhood Education initiative is funded by the ERDF, that is, the European Structural and Investment Funds, Regional Development Funds, which “*aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions*”, see: ec.europa.eu/regional-policy/en/funding/erdf/, and thus, promote equality

⁴http://ec.europa.eu/education/tools/et-monitor_en.htm

The EU works closely with the OECD⁵: *“The OECD Review of Better Regulation in Greece is one of a series of country reports launched by the OECD in partnership with the European Commission”* (OECD, 2012. p.3). According to their homepage⁶ *“OECD uses its wealth of information on a broad range of topics to help governments foster prosperity and fight poverty through economic growth and financial stability. We help ensure the environmental implications of economic and social development are taken into account”*. Their work is based entirely on quantitative data (on a set of indicators and benchmarks) from member and non-member countries: *“OECD's work is based on continued monitoring of events in member countries as well as outside OECD area, and includes regular projections of short and medium-term economic developments. The OECD Secretariat collects and analyses data, after which committees discuss policy regarding this information, the Council makes decisions, and then governments implement recommendations”*. OECD has repeatedly been criticized for its heavy statistical methods and standardized tests in education (Sahlberg, 2012) and the lack of qualitative data to corroborate differentiated results from international comparisons. OECD also does not directly interfere with national legislation but through the method of policy recommendations (see: Better Regulation in Europe, Greece, 2012) or reports to general public (Education at a Glance) or ministers (see for example the Secretary General's Report to Ministers, 2015) affects national government policies, which in turn are “translated” into legislation.

⁵See: <http://www.oecd.org/about/membersandpartners/> for details: *“In the Supplementary Protocol No. 1 to the Convention on the OECD of 14 December 1960, the signatories to the Convention agreed that the European Commission shall take part in the work of the OECD. European Commission representatives participate alongside Members in discussions on the OECD's work programme, and are involved in the work of the entire Organisation and its different bodies. While the European Commission's participation goes well beyond that of an observer, it does not have the right to vote and does not officially take part in the adoption of legal instruments submitted to the Council for adoption”*

⁶<http://www.oecd.org/about/whatwedoandhow/>

The International Educational Planning impact on the Greek national level

a. Implications and obligations for the national government regarding the EU and OECD recommendations

Both organizations' directives for better education provision are central to Greece's evaluation for further lending. Although OECD guidance to Greece for growth, amelioration and development of the educational system is not evident in the first two Memoranda, their indicated reforms (Better Policies for Greece) formed parts of the Memoranda annexes and were fully and openly accepted by the Ministry of Education in 2011 (Gurria, 2011).

However, the present government has to deal with these directives, as all of them were explicitly included in the 3rd Memorandum (that is, the 2015 lending Agreement). According to this text, the authorities should have fulfilled certain obligations by the summer 2016: *“The authorities will ensure further modernization of the education sector in line with the best EU practices, and this will feed the planned wider Growth Strategy. The authorities with the OECD and independent experts will by April 2016 prepare an update of the OECD's 2011 assessment of the Greek education system”*. Thus, *“based on the recommendations of the review, the authorities will prepare an updated Education Action Plan and present proposals for actions no later than May 2016 to be adopted by July 2016, and where possible measures should enter into force in time for 2016/2017 academic year”* (p.22).

The alignment with EU standards and the modernization of the education sector also include the Vocational Education and Training reorganization with the aim of capacity building to suit the labour market needs (pp.21-22). Accordingly, Technical Vocational Senior High Schools (EPAL) will have to work together with labour seeking agencies (OAED) to provide their students with apprenticeship opportunities

and human capital skills. It is important to mention that these are not just policy implications but straightforward obligations (key deliverables) “for structural policies to enhance competitiveness and growth”. In the framework of these obligations the current government has established a multi-member committee to examine and come to policy conclusions for education (Educational Policy Committee, in Greek “Epitropi Dialogou gia thn Paideia”, 2016). This Educational Policy Committee first round working results were released in late April 2016. A close examination of these results and their collation with EU’s Monitoring Report and Recommendations on Education (see above) and OECD’s Education at a Glance [Greece] 2016’s results from Indicators reveals their internal relation: extensive discussion on the autonomy of schools to manage their own reality and to work with local authorities, the re-organization of Primary and Secondary Education curricula so as to address the “basics” [as the PISA 2015⁷ results show Greece lagging behind], the evaluation of teachers’ work and their further training, etc.

However, most of these issues seem to be rather controversial. As it is not possible to examine all these controversies in a single paper, only some indicative cases have been chosen for further discussion here:

The **PISA testing** methodology and the **standardization of educational achievement**, has been the major task of the OECD. OECD has introduced four pillars of indicators⁸ in education (OECD 2015), by which classification of the

⁷<http://www.oecd.org/edu/pisa-2015-assessment-and-analytical-framework-9789264255425-en.htm>

⁸OECD (2015), *Education at a Glance*: The four indicator groups are: 1. The Output of Educational Institutions and the Impact of Learning (indicators A1 – A10), 2. Financial and Human Resources Invested in Education (indicators B1 – B7), 3. Access to Education, Participation and Progression (indicators C1-C6), 4. The Learning Environment and Organization of Schools (indicators D1-D8)

country members' educational systems is performed. The 2003 PISA report has indicated a rather low level of Greek students' achievement, as compared to other European countries. However, the PISA results have provoked a great deal of international and contradictory discourse among researchers regarding the relation between the aims and goals of democratic and equalitarian education and standardization of education via tests (i.e. the GERM movement by Sahlberg and Hargreaves, see: Sahlberg, 2012, above, p.6). They question the use of quantitative Indicators for inter-national comparisons which "flattens" or ignores important specific features, thus, producing unfair comments and criticism⁹.

Regarding **the issue of the teachers-students ratio**, OECD supports that this ratio is below its standards in Greece and urges the Greek government to take specific measures: *"In particular, the authorities commit to align [and] the ratios of students per class and pupils per teacher to the best practices of OECD countries to be achieved at the latest by June 2018"* (3rd Memorandum, p. 22). OECD fails to spot that geo-morphological environment conditions (such as, remote, mountainous or island areas) and consequent educational needs of children differ from place to place often making education provision particularly expensive. However, OECD, using specific indicators, measuring certain ratios, reports low quality provision. A typical,

⁹More specifically: a. School age bands are not the same in all countries, b. Goals and policies vary according to national priorities and time periods, c. Socio-economic factors and family background differ dramatically from country to country, often within the same country, d. Needs perspective varies from country to country in Europe making it extremely difficult and untrustworthy to do research based on the instructions provided by a Toolkit, e. Statistics are often untrustworthy, due to [local-national] interpretations of requirements and [due to] inaccurate translation into a target language and then back into English, f. Statistics provided by several countries are often biased or purposely altered (Argyropoulou, 2012,a, b).

rather controversial, example of this OECD practice is the provision of Early Childhood Education in Greece¹⁰.

On the other hand, the **question of school autonomy** had been raised in the beginning of the new millennium and was consolidated as of major importance for the Greek educational system in 2008¹¹. The issue of autonomy seems to be of pivotal role as it decreases the regulatory role of the state (mostly funding by the state) in the schools and exemplifies a rather neo-liberal stance towards education as compared to the neo-marxist (legislated) ideology being in force today. Moreover, it requires a number of fundamental changes in the statutory framework to overturn the public administration background of the Greek educational law before autonomy is legally introduced in schools (Argyropoulou, 2015).

¹⁰Education at a Glance (2011a) OECD Indicators: Country note – Greece, <http://www.oecd.org/dataoecd/44/21/48657344.pdf>. Early Childhood Education has been made compulsory in 2006 after OECD and EU suggestions. Being compulsory, it must be provided to all children, even those few ones [below the OECD teacher-student ratio] living in remote islands or mountainous areas who can move to near larger schools on a daily basis. Consequently, there are small-size, one-teacher schools, in these areas, which cannot comply with the OECD teacher –student ratio. The same may happen with certain Primary schools with one to three teachers per a small number of students. The controversy lies in the fact that compulsory education is protected by the Constitution and offered equally to all children of Greece and at the same time should be avoided or not provided at all in order to catch up with OECD guidelines. The issue has been under fervent discussion lately, as the teacher-student ratio adjustments should form part of the May 2016 Adjustment Programme evaluation key deliverables, according to the third Memorandum.

¹¹The World Bank, the OECD, and later the EU, have pushed forward the trend of decentralization of education and the school autonomy and accountability (Hanushek and Wössmann, 2007, Wössmann et al., 2007, Wössmann, 2007) as the pivotal axes through which reform, restructure and improvement will be achieved in schools: “Many countries have moved towards decentralization, making schools more autonomous in their decision making and holding them more accountable for results” (OECD, 2008, p.11). This indicates that the power in schools moves from in-school decision making- bodies and individuals, such as the teachers’ boards and/or the Head teacher, to either in-and-out school governing bodies, such as, teachers-parents-local authorities, with lesser responsibilities per group, or out-of- school boards, such as the local authorities only.

School autonomy and accountability were associated with **school leadership** and the attempt to improve it¹². “As a result of these trends, the function of school leadership across OECD countries is now increasingly defined by a demanding set of roles which include financial and human resource management and leadership for learning” (OECD, 2008a, p.11).

Although the introductory paragraph of the first volume (OECD, 2008a) points out that: *“School leadership has become a priority in education policy agendas internationally .. It plays a key role in improving school outcomes by influencing the motivations and capacities of teachers, as well as the school climate and environment ... Effective school leadership is essential to improve the efficiency and equity of schooling”* (p.11) it does not provide prior research corroborating these assumptions. This redefinition of school leadership roles and responsibilities in alignment with higher degrees of autonomy, accountability and distributed leadership models and practices, is expected to change the landscape for School Heads in Greece: from the School Headship of the last two decades of the 20th century based on the principle of “primus inter pares” it moves to the 21st century idea of Principalship with increasing power of the individual [the Principal] and decreasing collective decision-making opportunities (the teaching board decision-making power). As the School Head is assigned with more power and responsibilities s/he is entitled to higher salary so as to *“make school leadership an attractive profession”* (ibidem, p. 12).

¹²In 2008, OECD publishes a two volume project under the title *“Improving School Leadership”* based on research completed in the 22 out of the 30 country-members (Greece did not take part in this international survey, p.11). The aim of the project was to put forward the importance of educational leadership as the pivotal lever for improvement and as a tool for achieving autonomy and accountability in schools as part of a decentralization process in national administrative and financial structures of a country. A toolkit with implementation tips for policy makers and practitioners accompanies the two volumes (OECD, 2008c).

As far **the evaluation of the educational system** is concerned the 3rd Memorandum text states: *“The evaluation of teachers and school units will be consistent with the general evaluation system of public administration”* (p.23). The evaluation of the Greek educational system had been agreed long before the first lending agreement on the premise that the 2008 PISA results for Greece were very poor. Evaluation as a process has been a constantly disputed notion among educators in Greece due to: a. its negative content meaning during the dictatorship and long before it, as it has malfunctioned and been associated with negative consequences [even with job loss], b. the contradictory government policies of the last eight years, mostly of neoliberal orientation and repeating –in certain cases- the punishing attitude [of pre-1982 time] on low performing individuals or schools.

In addition, **regulations included in other lending-related legislation affected indirectly but still severely the structure of the educational system** with no evident results of improvement. Such an example is found in the first Memorandum (2010): the proposed (accepted and later legislated) reorganization/decentralization of the Local Authorities Chart by the name of Kallikrates¹³ has severely affected the structure of the Regional and Local Educational Authorities, as the LEA’s have been constructed following the Local Authorities structure: the shrinking of municipalities and the formation of larger municipalities out of the merging of smaller ones led to the abolition of an intermediate administrative level officers in LEAs. Moreover, further austerity measures legislated during the so-called Local Authorities decentralization policy dictated the allocation of responsibility for schools’ functional expenses funds from schools to Local Authorities on the pretext of malfunction, corruption and waste of public money; this decision, out of being impractical for

¹³L. 3852/7.6.2010 (Government Gazette, no 87, issue A “New Architecture of Local Authorities and Decentralized Administration- the Kallikrates Project”, article 103, paragraph 2.

schools, was somehow rather contradictory compared with the OECD's suggestions for school autonomy (OECD, 2008a,b,c), as it intensified the centralization of resources instead of the promised decentralization by removing responsibility for self- governance from schools¹⁴ to municipalities.

Although there has been an explicit internal necessity for rethinking and restructuring education in Greece, so as to meet the new scientific and practical challenges of the developed world, it could be argued that the work of this Committee has been imposed by the country engagements towards its creditors. Consequently, the Educational Policy Committee will also have a lot of work to do to convince public opinion, to integrate these policy guidelines into their own report and to balance their recommendations both with the statutory framework and the social demand (teachers, students, parents).

b. Other crisis-related constraints with an impact on national Educational Planning

Two major types of crisis- related social constraints regarding education should be mentioned: those associated with direct and/or indirect impacts of the lending agreements and those depending on the generally disturbed social context, though rather irrelevant of the lending agreements. The first group of social impacts refers to labour market upturns and increased unemployment (job losses, especially among young inexperienced people and women) because of either cuts in public

¹⁴This happened for the mere sake of economizing [it had been estimated that 500 million € (euros) would be saved in the five years' duration of the first Memorandum) without taking into consideration problems that would be created in remote island and mountainous areas of the country rather centralized authorities. Evidence from latest research indicates that this was a measure for reaching the goal of 500 million euros expected to be gained from the implementation of Kallikrates and thus fulfilling the obligations of the first Memorandum.

administration personnel, lack of recruitments [due to lending restrictions] or private sector companies' bankruptcy. This impact can be seen both on teachers and students' families. Additionally, the economic crisis hit homes and the housing ability of a significant number of families, especially those with high mortgages. Homelessness has slowly but steadily started unfolding, mostly affecting people living alone, low-income and single-parent families (see similar phenomena in the USA during the housing crisis, Duffield and Lovell, 2009). The second set of social impacts, though not so strong or equally visible in all regions, has to do with the increase of immigrant inflows from war – stricken areas in the Near East. Although this is not the first time Greece receives and hosts immigrants, these particular inflows have caused a political turmoil regarding the management of these populations trapped in Greece due to other European countries refusal to accept hosting their share of immigrants. Since there are a great number of immigrant children, escorted or unescorted, the Ministry of Education will have, sooner or later, to undertake action regarding their education and integration in the Greek schools. In short, there is a high level of poverty -local and imported- reflected in the micro-society of schools, especially those in densely populated underprivileged areas of big cities. Moreover, the pressure for keeping social balance calls for government policies ensuring equality in educational opportunities, anti-racism, anti-sexism, religion tolerance and a holistic approach toward avoidance of social clashing (see also: Torche, 2010).

c. Impacts on the micro-level: the operation of schools and the challenges for the school leaders

School leaders/School Head teachers currently face various kinds of problems: those regarding the teaching staff and the implementation of curricula, those having to do

with the students' achievements and behavior and those dealing with their own managing and leading skills and abilities and their lack of appropriate training.

Government policies stemming from austerity measures led to downsizing the number and the salaries of teachers both in Primary and Secondary Education and to minimizing recruitment of new teachers. Several gaps in teaching positions form a major problem. Fragmentary and temporary remedial measures on behalf of the central government fail to provide a sound and permanent solution. Moreover, teacher in-service training as a regular process has ceased long ago due to scarcity of funds. Thus, the restricted numbers of in-service teachers constitute an ageing population, lacking motivation and training, though they are constantly faced with new challenges (OECD, 2015).

Centrally appointed curricula have been changed many times during the past eight years thus causing more problems than those their reform had been expected to solve. This fluidity of teaching content and material, combined with the various "visions and missions" occasionally expressed by the succeeding parties' Ministers of Education in this period in their attempt to incorporate the OECD and EU guidelines, resulted in instability, lack of trust and discouragement of both teachers and students/ parents.

Though there are occasional references [in social media and newspapers] about students in need and certain schools in underprivileged areas have organized packed meals for their students, as well as free remedial courses to prevent school dropping, yet there are not official data about poverty stricken students probably because of embarrassment.

Head teachers, on the other hand, serve as the mediators between the State [in the form of transferring the government policies into the school] and the school

partners, as well as between the community [the society in the broad sense] and the school. In short, they are expected to cope with four main challenges¹⁵ reflecting both managing and leading capacities:

1. Political and cultural expectations and their interpretation into internal meaning and direction
2. Understanding and empowering teaching staff
3. Structuring and culturing schools with emphasis on interpersonal relations
4. Personal improvement and development

Greek School Heads do not receive specific training for Headship either before or after being appointed to the position. Specific Headship training, either State-provided or individually acquired, is not compulsory for appointment as there are not available funds for such endeavors. Other criteria [seniority¹⁶, postgraduate or doctoral studies, etc] are used. Head teachers' appointments often cause dispute, as each government is accused of passing criteria laws that suit their policies and encourage governing party favoritism. Thus, Head teachers' qualities and capacities lie on their perceptions, experience or knowledge a few of them may have acquired from the voluntary attendance of a relevant post graduate course. As a result, in most cases Heads fail to perceive, foresee or prevent problems arising in their schools. However, the fluidity of the current socio-economic situation does not allow incompetence; today the above mentioned managing and leading capacities seem more urgent than in the past given that adjustment programs obligations exercise extra pressure. Reorganizing the Heads' selection procedure presupposes a redefinition of their roles and responsibilities within a school with modernized and redefined goals.

¹⁵ Abridged and adjusted from *Framework of Reference, 2010*, key deliverable of Leading in Education LLP Project, available on www.leadership-in-education.eu/

¹⁶ Heads, being part of the teaching staff, also constitute an ageing population with their own attitudes and stereotypes.

Concluding remarks: The changing landscape and research-related issues

Education is a structured human subsystem within the wider social system (Bastedo, 2004); it constitutes the first and perhaps most important societal “field” receiving and digesting the socio-economic shocks in a very specific way: it “lives” the shocks (as education is a human environment and each educational partner is a member of the wider social environment) and, at the same time, facilitates the acquisition of knowledge, the learning, about the socio-economic shocks (as it teaches new chunks of knowledge, qualities and skills, concepts and values, beliefs and habits). Consequently, the impacts of the economic crisis on the Greek educational system are multiple and diverse. Suggestions for improving education regard both the meaning and content of teaching and learning and its organizational aspect, as state-provided education consists part of the public administration system. The meaning and content of the Greek educational system has to do with its internal goals, ethics, concepts and values of the Greek society, its own curricula and pedagogy. In this aspect the Greek educational system is unique and any redefinition or reform in it is a matter of the Greek idiosyncrasy and of internal nationally agreed goals and agendas. In terms of a public administration subsystem, it can possibly be redefined, reformed and/or restructured following similar policies with those applied to other public administration subsystems on the premise that this reform and restructure does not affect its internal nationally agreed goals.

Lately, especially during the economic crisis and the recession period, intensive discussion on reforming education in Greece by employing the OECD and EU suggestions has stirred up and several attempts have been made to introduce policies to align with OECD indicators. This discussion, made in the general context of

Greece' obligatory "reform of everything" dictated by its creditors, tends to forget the above assumption of its national idiosyncrasy and specific Greek identity. Any reform should be designed in such a way that it does not "imitate" or "copy" foreign policy and practice but with a mind to the national and local context. In doing so OECD indicators should be interpreted with caution, as they do not always measure identical quality or quantity features or do not meet same needs across the OECD countries.

Moreover, research patterns and methods should also be "reformed" in the sense that they should seek to investigate the new causality relations created by the crisis demands. Given that the constantly changing socio-economic landscape dramatically affects the school microcosm, researching school-related issues should be of primary importance as schools are the policies implementation arena; specific relations between policies designing, planning and implementation need to be investigated in detail, aiming at identifying their effectiveness.

Finally, educational research needs to take new paths or re-walk on already paved but scornfully forgotten paths: without disregarding the importance of quantitative methods, emphasis should be put on probing qualitative methods and/or the intensive combination of both. Multi-perspective considerations in gathering and studying data, such as, function, pedagogy, specific educational needs, equity and equality issues, quality issues and factors, are more appropriate for researching the school internal and external environment, as they provide in-depth, analysis necessary for human environment research.

Thus, reviewing policies and reconstructing public entities, such as schools, will acquire their true meaning and purpose.

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Teaching Microeconomics after the global financial crisis

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Abstract

Economics failed not only to prevent but also to predict the global financial crisis of 2008. There are reasons to believe that this failure creates favorable conditions for the reform and revitalization of economics itself towards a discipline more oriented to real-world institutions and the everyday behavior of economic actors. Mainstream microeconomic theory, as it is actually professed in undergraduate and graduate class-rooms, continues to promote technique rather than substance, exaggerating the role of abstract modelling.

To elevate the substance in microeconomic analysis three possible sources are suggested here: History, Psychology and Sociology. Economic history offers many tales of miscalculation leading to bankruptcy, economic stagnation and decline. Teaching concrete historical cases of past economic failures will permit to students to realize since their freshman years, that we all live in an imperfect world. Moreover, research from behavioral psychology and cognitive science can be used to substantiate the nature and characteristics of actual economic behavior. Finally, Economic Sociology will help economists to realize that the quintessential characteristic of humans is that they live embedded within a common system of formal and informal institutions, including moral values and social habits, which give them a sense of social existence and identity. This fact is questioning both the limits of methodological individualism as well as the legitimacy of separating Economics from other social disciplines. Teaching real-world microeconomic theory turns out to be a struggle against disciplinary isolation inside Economic Departments.

Key words: Economic Theory, Methodology, Economic History, Behavioral science, Economic Sociology.

JEL classification: A12, A22, B50, D01, Z10

1. The financial crisis and mainstream economic theory

Mainstream microeconomic theory cannot apprehend economic crises because it starts with the assumption that rational individuals usually (if not always) take the right decisions that maximize their individual aims (utilities and profits) and that in the end of the day, right and wrong decisions balance each other to produce a generalized equilibrium between supply and demand. So, whenever there is a global disequilibrium in the markets, a neoclassical puts always the blame on human interference –public or private- that has somehow impeded the clearing processes of the Market. In the

neoclassical narrative, a crisis is either the fault of the Government and its regulating activities, or the monopolistic behavior of some influent agents who have confused the competitive game of the market with the game of Monopoly: yes, you will maximize your profits, though you don't eliminate all the other competitors, for the game would be instantly over.

A fundamental reason for the above is the deeply rooted belief in the natural stability of the market economy as a result of the non-coordinated behavior of rational agents. Nothing describes better this quasi-metaphysical belief than the abuse of Adam Smith's celebrated metaphor, as exemplified in contemporary textbooks: *"Households and firms interacting in markets act as if they are guided by an 'invisible hand' that leads them to desirable market outcomes. One of our goals in this book is to understand how this invisible hand works its magic. As you study economics, you will learn that prices are the instrument with which the invisible hand directs economic activity."* (Mankiw 2012, 11). What's more, this belief also permeated the heart (or the brain) of central policy makers, such as Alan Greenspan, the former chairman of the US Federal Reserve, who declared (in October 2008, before a Congress Commission) that he had *"made a mistake in presuming that the self-interest of organizations, specifically banks would protect 'shareholders and equity in the firms'"*.

The unsound vision of internal stability of the Market is further self-protected by numerous assumptions and axioms that knowingly defy the reality, to serve the theoretical requirements of the General Equilibrium Model.¹ It is thus assumed that both consumers and producers act in an environment of perfect information of the

¹ To assure the possibility for an aggregate and integrable demand function, additional restrictions were imposed upon individual ordinal ranking of preferences: completeness, transitivity, continuity and convexity. These axiomatic restrictions guarantee the existence of a "complete preordering of preferences" for every individual which are only necessary and not sufficient conditions for the existence of a general economic equilibrium, still not its uniqueness, nor its stability. Israel & Ingrao (1990) made an excellent historical exegesis of the development of general equilibrium model.

present and future conditions as well as they are prompt to decide instantaneously under full certainty (Stiglitz 1994, 29). By the same token, perfect information deactivates the role of money as a precautionary means for future needs and as a means for speculation, depicting a false image of an automatic adjustment (Mirowski 2010, 428). Except that in the real economy, decisions are taken by considering the existing sum of money (in circulating or fixed capital) and above all by calculating the eventual risk of every placement in the short or in the long run. In other words, not only money is an endogenous element of the markets –as we know since Keynes (1936), at least- but also money is a fundamental cause for the instability and cyclical fluctuations of the economic system (Minsky 1980). A crisis appears when investors change massively their behavior and start selling their accumulated assets, creating thus a sudden increase of demand for liquidity. As the crisis of 2008 has demonstrated, markets are far from being efficient, in the sense that transactions are rarely made in prices that correspond to the exact value of the good or service that is exchanged (Tsoulfidis 2010, 330).

This last observation obliges economists to reconsider the whole idea the theoretical representation of the economic system as a closed and delimited world. On the contrary, the starting point should be that of an open and constantly evolving world, which is inhabited by interdependent and interacting individuals (Chick & Dow 2001, 719; Kirman 2009). Complexity of economic phenomena is not a situation to be studied at the final semesters of economic studies, but should be introduced to students in the very first lectures of ECON 101. Constructing formal models based on the hypothesis of fully independent and non-interacting actors, is only a waste of time and energy. Keynes has marvelously described the limits of this kind of formalism in 1936:

“It is a great fault of pseudo-mathematical methods of formalizing a system of economic analysis [...] that they expressly assume strict independence

between the factors involved and lose all their cogency and authority if this hypothesis is disallowed; [...] Too large a proportion of recent ‘mathematical’ economics are merely concoctions, as imprecise as the initial assumptions they rest on, which allow the author to lose sight of the complexities and interdependencies of the real world in a maze of pretentious and unhelpful symbols” (Keynes 1936, 297-8).

What are the lessons to be taught from the above as to the education of young economists? We will next focus upon the changes to be made in teaching undergraduate microeconomics, after examining first the perception of the problem by its teachers and students.

2. Reactions against autistic economic theory

Reactions to the way the theory of prices is professed in higher education institutions have long preceded the recent global crisis. Back in 1991, an official investigation in American Colleges and Universities has pointed out the excessive practice of mathematical techniques in Economic Departments (see *Report of the Commission on Graduate Education in Economics*, 1991). In the conclusion, a universal concern was openly expressed: “*The Commission's fear is that graduate programs may be turning out a generation with too many idiots savants, skilled in technique but innocent of real economic issues*” (Krueger 1991, 1044-5). This situation is the consequence of a long standing tendency to homogenization in the economic curricula of American Universities from interwar pluralism to post-war Neoclassicism. The tradition of the Institutionalist School (Veblen, Hamilton, Ayres, Commons, Mitchell), as well as the tradition of Economic History in Harvard (Schumpeter, Gershenkron, Kuznets) and other eclectic economists (J.M. Clark and F. Knight), was replaced by a monolithic way

of thinking that changed the “professional ethos of economics” (Barber 1997, Morgan and Rutherford 1998, 1-25).

In Europe, with many national traditions of economic thought the tendency to homogenization of Economics is less evident.² Nonetheless, there was also there a bottom-up reaction movement of students in France in June 2000, known as *Autisme-Economie*, which was immediately supported by many Professors (more than 145 of them) and which has initiated a public debate in the columns of the daily French newspaper *Le Monde*. Soon, this movement against excessive formalization and the lack of pluralism in Economic Departments, has involved many worldly known economists such as Amartya Sen, Robert Solow, Olivier Blanchard, James Galbraith etc. The movement was spread also in many campuses such as Cambridge -England, Kansas and Harvard, and gave birth to an electronic *Post-Autistic Newsletter* in September 2000, (see Fullbrock 2003, 3-17). The PAE-News became later-on the *Real-World Economics Review*, which is actually in its 74th issue, with some 26100 subscribers.

Based on that reaction, it was maintained that standard microeconomic theory, i.e. the General Equilibrium model should be simply abandoned (Guerrien, Keen, Dorman, Halevi in Guerrien et al. 2002, Keen 2009). To summarize, these critics insist upon the lack of empirical and theoretical relevance of standard microeconomics, its poor cognitive content and the use of abusive and absurd assumptions. Less negative critics in the same *Review* believe that microeconomic theory is useless unless it captures “*the complexity of interaction in the economies*” (Mayhew); that some central

² In Coats ed. (2000) economists from ten Western European Countries have studied the growth of higher economic education and postgraduate training, the professionalization of the discipline, the evolution of research groups and institutes, the homogenization of academic rules and norms of scientific publication, as well as the role of the economist’s profession in the post-war economic and social development of Europe. One of the main conclusion was that despite the undeniable trend towards Americanization, differences on a national level are still present in all European countries.

issues, such as the notion of choice and the supply and demand curves, have some pedagogical value in so far as they are incorporated into a teaching program that serves the general goal of promoting well-being (Nelson). More constructive critics believe that “*basic economic reasoning*” contained in microeconomic theory is truly important and worthy to be taught to students (Caldwell); also that “*the core ideas of neoclassical ideas should not be excluded from the curriculum but placed alongside alternatives*”, at least unless a more “*adequate conceptualization of the human agency and decision making*” appears (Hodgson); and finally that microeconomic theory can be “*properly taught*” with many applied economic problems as case-studies, instead of the usual formalistic tools of General Equilibrium Economics (McCloskey).

3. Teaching relevant microeconomics

Taking into consideration the above discussion, let us consider what is worth keeping in standard microeconomics and how are we supposed to teach it. To start with, a significant re-orientation should be made in the subject matter of teaching. Here are some useful advices, written in a commandment form:

- 1) Give emphasis to economic substance over mathematical technique.

(McCloskey 2000, 218; Hodgson 2009; Krugman 2009). That means to give priority to economic concepts instead of sacrificing realism for the sake of the technical apparatus (Fine & Milonakis 2009, 135). Theory and teaching should be appropriate to the relevant causal factors at work. An outstanding example of the doctrine of excessive commitment to analytical rigor by all means, is the representation of completely rational individuals who are gifted with perfect foresight and yet unable to do anything before the imaginary auctioneer cries-out equilibrium prices (see more in Zouboulakis 2014, 51-54). The time has

come to abandon the theory of price-takers and profess the idea of price-making agents, as in Classical Political Economy.

- 2) Recognize that individuals have limited cognitive and computational capacities in pursuing their economic interests (as Henry Simon has showed) and additionally, that economic decisions are often determined by “*animal spirits –a spontaneous urge to action than inaction*” (Keynes 1936, 161-2; Akerlof & Shiller 2009, 5). The recognition of these facts will help the student to understand since the beginning of her studies that markets are endogenously instable, no matter the policy program. Keynes said it again: “*We are merely reminding ourselves that human decisions affecting the future, whether personal or political, or economic, cannot depend on strict mathematical expectation, since the basis for making such calculations does not exist*” (1936, 162-3).
- 3) Admit, consequently, that though the aim of the economist should be to grasp the word in a quantitative way, not everything is quantifiable and measurable in economic phenomena. Usually in economic modeling, the non-measurable is simply ignored (Mayer 1996). Thus, some culturally determined behaviors that greatly affect entrepreneurship, saving, investment and even consumption, are not taken into account. Concisely put, Akerlof and Shiller concluded their best-seller book saying that “*Evidence abounds for the animal spirits discussed in the first five chapters: confidence, fairness, corruption, money illusion, and stories. These are real motivations for real people*” (2009, 174). Confidence, fairness, corruption and stories –i.e. widespread social representations of an era- are culturally determined social norms. Relevant literature on the influence of norms, custom and habits goes back to Nelson and Winter (1982) and has grown

significantly in the last twenty years to a degree that it is impossible to ignore when dealing with human behavior.³

- 4) Preserve some crucial economic concepts, relevant to Microeconomics, many of which have survived throughout 240 years of history of economic thought. Randomly cited, we should introduce them to opportunity cost, scarcity, productive factors, production possibility surface, division of labor and productivity, marginal increase, diminishing returns, increasing returns to scale, the law of demand, price and income elasticities, variable and fixed costs, the functions of money, money illusion, profit, interest of capital, rate of wages, competition and market power, concentration of capital, product differentiation, price discrimination etc. The historical persistence and explanatory power of these theoretical concepts reinforces the scientificity of economic discourse in the minds of young students more than a solid logical construction of mathematical equations describing an imaginary world.
- 5) Analyze thoroughly only the chapters of mainstream theory that focus on the strategic interdependence between economic actors, such as duopoly, monopolistic competition, interactive game theory. Perfect competition should be only mentioned as an exceptional market and merely in order to introduce the idea of large competition prevailing in some international commodity trade markets, the fish market and the stock-market. Emphasis should be put on the applied fields of microeconomics in order to reveal the interaction between hard-core economic concepts and the institutional structures of the real economy. In the fields of industrial economics, agricultural and labor economics

³ Beyond Nelson & Winter (1982), more recent contributions include Hodgson (1997), (2003); Schlicht, (1998) and Hardin (2002). The idea of customary rule following behavior has a much longer history and was very much present in Mill and Marshall. Cf. Zouboulakis (2015).

there are plenty of “*good quality data that can be directly related to variables that appear in the corresponding economic theories*” (Backhouse 1997, 215).

- 6) Offer an important part of the course in describing theoretically and concretely market failures using real examples of externalities in production and consumption, of problems of asymmetric information, adverse selection, moral hazard and inefficient allocation of property rights.

All the above are not sufficient by themselves to construct a relevant course in undergraduate microeconomics. As Joan Robinson (1977, 1320) said “*Micro questions- concerning the relative prices of commodities and the behavior of individuals, firms, and households- cannot be discussed in the air without any reference to the structure of the economy in which they exist, and to the processes of cyclical and secular change*”. Therefore, to elevate the substance of microeconomic analysis we need to strengthen its content with material from other social disciplines.

4. With a little help from my friends

I fully subscribe to Hodgson’s advice that “the modern university may require a Humboldtian reform” (in Fullbrook 2003, 145). Until this is done, Departments of Economics can organize their curriculum in order to offer a more relevant to the real economy teaching. The first thing to do is to support the place of both the Economic History and the History of Economic Thought. As to the former, the recently gone Economic Historian and Nobel Prize winner in Economics (a unique combination, except his co-winner, Robert Fogel) wrote this: “*Economic history is a depressing tale of miscalculation leading to famine, starvation, defeat in warfare, death, economic stagnation and decline, and indeed the disappearance of entire civilizations. And even the most casual inspection of today’s news suggests that this tale is not a purely a*

historical phenomenon” (North 2005: 7). Thus, a pedagogically fruitful way to deal with the crisis of 2008, is to compare it with the depressions of 1873-1896 and 1929-1939. Students will then have the opportunity to realize all the dimensions of the actual crisis by knowing how the system has responded and changed in many aspects to overcome the previous crises. I mean the changes in policy priorities, in industrial organization, in money and banking regulation, in labor protection and of course in its theoretical orientation. Other episodes –such as the ‘Tulip Mania’ and the ‘South-Sea Bubble’- also possess an analog pedagogical value. Needless to emphasize that the details of the so-called “industrial revolution” are of huge importance to understand the fundamental genetic characteristics of the economic system we live in.

As to the latter, more emphasis should be put on the History of Economic Thought a sub-discipline that offers an absolute advantage in discovering new ideas, as many innovative economists have recognized. Paul Krugman (1996, 140) concluded that *“when if one tries to reinvent a field without knowing what came before, one is too likely simply to reinvent old ideas, most them bad”*. Geoffrey Harcourt similarly wrote that *“often the same issues arise, and then it will be found that the greats of the past had something of lasting value to say about them”* (in Fullbrook 2003, 70). Even more categorically Ronald Coase (2002) said *“It is a striking [...] feature of economics that it has such a static character. It is still the subject that Adam Smith created. It has the same shape, the same set of problems. Now of course we’ve made improvements, we’ve corrected some errors, we’ve tightened the argument, but one could still give a course based on Adam Smith”*. As Arjo Klammer and David Colander (1990) have suggested, one of the main reasons that only a very small minority of young economists has a “thorough knowledge of the economy” comes from their lack of understanding of the past of economic thought and economic history.

Furthermore, teaching the evolution of economic thought is an excellent means to promote the idea of scientific controversy and theoretical pluralism within our discipline. Economics, and the Social Sciences in general, are constantly in a state of internal division in many rival schools of thought with so great differences that one may certainly speak about competing “Scientific Research Programs” in Lakatos’ sense.⁴ Differences and quarrels are natural in every scientific field. Yet, a student in Physics, Chemistry or Biology is always able to get the state of the art by reading the last edition of any best-seller textbook. Quite the reverse, in the Social Sciences differences exist in textbooks not only on the presentation of the major themes and the focus upon them, but also on the methods and techniques, the definition of major concepts, even the demarcation of the domain and the main purposes of every social discipline itself.

The simple recognition of this *de facto* pluralistic situation should lead the teacher of Economics to deal with equal respect the competing SRP’s and theories, to the best of his knowledge. Raveaud (in Fullbrook 2003, 67) suggested “*to teach through controversies*”, meaning to present before the students the competing views on recurring economic problems. The history of economic thought is full of controversies that are still relevant. Raveaud quotes the example of the Vining -Koopmans controversy in the late 1940’s (more widely known as the “measurement without theory controversy”) about the use of statistical data without a proper theory of economic behavior. Inductive inferences based on data collection are only good for establishing empirical relationships unreliable for prediction or policy purposes (Cf. Boumans and

⁴ The “Methodology of Scientific Research Programs” by Imre Lakatos (1970) received great attention from 1974 to the late 1990’s because the view of competition among different scientific programs corresponds greatly to what is really happening during the historical development of Economics. The study of how different “Programs” interact and compete with one another looks like a valuable starting point for the historical analysis of major “problem-shift” episodes, like the Marginalist or the Keynesian “revolutions”. For a concise evaluation of SRP Methodology see Blaug (1980: 31-6), Hausman (1992, 192 ff.), Backhouse (1997: 88-95), Boumans and Davis (2010: 108-114).

Davis 2010, 38-41). A more significant example is the “full-cost controversy”. Initially, Robert Hall and Charles Hitch in 1939-40 contested empirically the profit maximization hypothesis, claiming that entrepreneurs set their prices by comparing not the marginal cost to the marginal revenue, but simply matching up to a rough notion of total cost the market price. Richard Lester, seven years later, also contested the empirical relevance of the marginalist principle, initiating a huge debate in the *American Economic Review* from 1946 to 1953, involving too many economists such as Machlup, Stigler, Eiteman, Apel, Bishop, R.A. Gordon, Haines, Bronfenbrenner, Reynolds, Papandreou, Kaplan, Ritter and co.⁵ Even more instructive is the “Friedman-Samuelson -Machlup debate” in the early 1960’s, also known as the “positivist-descriptivist controversy” about the empirical status of the maximization hypothesis. As it is known, the controversy was unfortunately concluded with the prevalence of Friedman and his thesis that “*theories are good for predictions only*”. In that sense, it is useless to criticize the unrealistic nature of economic assumptions like economic rationality, since the aim of any assumption is only to provide the basis for successful predictions. This is the meaning of his famous F-twist: “*the more significant the theory, the more unrealistic the assumptions*” (more in Zouboulakis 2014, ch.7). Finally, we can simply mention the Galbraith- Becker -Stigler debate in the late 1960’s on the role and functions of advertising in shaping consumers’ preferences (Hodgson 2003, 160).

A second thing to do, is to enrich the subject of Microeconomics with the findings of Psychology and behavioral science in particular. British students claimed so (see their Letter to Her Majesty 2009). Psychologists, like Daniel Kahneman and Amos Tversky, put emphasis on experimentally observed behaviour using social, cognitive and emotional factors in understanding the economic decisions of individuals and

⁵ See Hausman (1992, 158-162), Tsoulfidis (2010, 241-2) and Zouboulakis (2014, 63-67).

organizations when performing economic functions. Kahneman and Tversky (1979) provided experimental evidence showing that people prefer lower but more certain gains, rather than greater and more uncertain ones. They have also demonstrated that individuals are treating gains and losses asymmetrically, meaning that they do not assign the same value to expected utility and disutility. Series of experiments were put forward aiming at exploring the heuristic the individuals follow and the biases to which they are prone in decision making under uncertainty. Results from laboratory experiments have shown that individuals tend to be error prone and possibly irrational suffering from “mindless behavior”, “insensitivity to sample size”, “base rate neglect”, “misconceptions of chance”, “cognitive illusions”, “confirmatory bias”, “belief perseverance”, “anchoring” etc. (Rabin 1998: 24-30). Other experiments confirmed the fact that decision making is shaped by “framing effects”: the semantic description of possible outcomes affects greatly the individual’s choice; decision makers are inclined to accept passively the formulation of different choices and are particularly influenced by the default option.⁶ Therefore, the observation of consumer’s and producer’s behavior under different market structures gave birth to a more realistic representation of rational economic behavior. These massive empirical findings cannot be ignored and should be incorporated in the textbooks of microeconomics, even at the expenses of a fictional generality.

The third and last, thing to do, to enhance realism and relevance in teaching Microeconomics, is to adopt a socially broader view on economic agency. Mainstream economic theory adopts the view that individuals live alone in a pre-social state of society and act in isolation with other human beings (Arnsperger & Varoufakis 2006).

⁶ “Framing effects” are closely related to the phenomenon of “preference reversals” discovered by Lichtenstein and Slovic in 1971. A detailed review of the relevant literature is made in Hausman (1992: 227ff.). The above paragraph uses material from Zouboulakis (2014, ch. 11).

Major economic issues –like externalities, money illusion and trust- are thus left aside although they do affect greatly economic transactions. The mainstream view, for theoretical, technical or ideological reasons, denies in fact the very essence of interpersonal exchanges between interacting individuals. As Kenneth Arrow (1994, 2) has suggested to recognize the action of the social context upon individual behavior is to identify “*the ineradicable social element in the economy*”. Or even better said, “*Rational deliberation is not possible except through interaction with the fabric of social institutions*” (Hodgson 2003, 163). Consequently, Sociologists such as Mark Granovetter, Neil Smelser, Richard Swedberg, Carlo Trigilia, Viviana Zelizer and many others have produced over the last twenty years, a significant theoretical and empirical work that deepens our knowledge about the way economic transactions are really made. Findings about the weight of non-material motives in economic transactions; the significance of the system of rotating credit associations in developing countries; the role of informal arrangements and cooperation between industrial firms; the meaning of credit and commercial circuits among family members and other personal connections. All these findings demonstrate the narrowness of mainstream analysis which has expelled outside the study of economic phenomena significant elements of social structure that really shape the efficiency of economic outcomes. As Ronald Coase (2002) said, “*economists should enlist the support of lawyers, sociologists, anthropologists, and others in our work in order to understand why transaction costs are what they actually are. It’s the opposite of economic imperialism.*”

5. On the usefulness of economic theory

An outstanding Neoclassical microeconomist, Hal Varian, put the emphatic question of “What use is economic theory?” To answer the question, he started by recognizing the

obvious: *“Economics is a policy science and, as such, the contribution of economic theory to economics should be measured on how well economic theory contributes to the understanding and conduct of economic policy”* (1997, 109). Still, this acknowledgement should lead Varian to the opposite direction than the one he took. Instead, he claimed that although *“it offers a useful insight in explaining an economic phenomenon”* (ib., 115), *“no theory in Economics is ever exactly true”* (sic), since –as Friedman said 44 years before- it focuses unilaterally into one dimension of economic phenomena. Varian feels comfortable in admitting that *“any method is better than none”* (ib., 116), even if it leads to error.⁷ What a rigorous theorist should do instead is to promote only theories based on assumptions that sufficiently correspond to the operating frame of the real economy.

A commonly held view is that the Great Depression established Keynesian macroeconomics. Only the specialists know that besides it facilitated greatly to the process of mathematical formalization. A plausible explanation refers to the demand of the labor market: business and research institutions wanted more technically skilled economists instead of broadly educated ones. Thus, *“Economics suffered in a peculiar way because it had established a type and degree of formalism that allowed research output to be assessed principally in terms of mathematical interest and elegance. Economists were judged and became employable for their aptitudes for statistical analysis or predictive models.”* (Hodgson 2009, 1216). The homogenization of economic knowledge seen above, was obtained through the elevation of formal

⁷ Actually Varian confused Roger Bacon (1214-1292) with Francis Bacon (1561-1626) and distorted the meaning of the latter's motto *“truth emerges more readily from error than from confusion”*, writing *“more truth arises through error than confusion”*. A fundamental rule of logical inference –called ‘modus tollens’- says that “if p implies q and q is a false proposition, then p is not a true proposition”. On the contrary it is invalid to deny the antecedent, that is to say “if p implies q and p is false, then, q is false”. Truth “arises” only from the first kind, although confusion helps not the truth to emerge, as Francis B. meant.

technique, as against its substance. As Keynes wrote to Roy Harrod in 1938: “*In economics ... to convert a model into a quantitative formula is to destroy its usefulness as an instrument of thought*” (quoted in Hodgson 2013, 11). In that sense, the solution to the crisis in Economic Education coincides with the seek for more useful Economics.

We have seen already that this call goes back to 1991 and the COGEE Report in the US. Colander et al. (2004) have reported that mainstream Economics changed during these last two decades before the crisis. Recent empirical surveys among graduate student of Economics in seven major American Universities (Colander 2005, 181), show a hopeful change in their perception of the importance of knowledge of the real world economy, as against formal modeling, although they continue to complain about the lack of policy relevance just as they have done twenty years before (Klamer and Colander 1990, Krueger et al. 1991). As argued here, and judging from the lack of apprehension of the biggest economic destabilization since 1929, apparently mainstream Economics haven’t change enough! Even if there are actually more “*elite mainstream economists working at the edge*”⁸ and many of their graduate students perceive their differences, it is excessively unsafe to announce the arrival of a ‘Kuhnian shift’ by this time; the suggestion that we are living the moment of the gradual transition time lag from the old conception of the market economy as a self-equilibrating mechanism to a new one “*centered on dynamics, recursive methods and complexity theory*” is too good to be true. Core microeconomic theory today, continues to suffer from the 19th century ‘Physics’ envy’ and imitates the same ‘*icon of scientificity*’ as it did since Jevons and Walras (Mirowski 1989).

⁸ Colander et al. (2004) made the distinction between orthodox and mainstream economists, in order to identify those neoclassical economists who are critical of the standard theory and work “at the edges” of orthodoxy. In their survey they include in that category Paul Samuelson, Kenneth Arrow, Robert Solow, Thomas Schelling, Amartya Sen, Joseph Stiglitz, Chris Sims, Michael Woodford, George Akerlof, Richard Thaler, Anne Krueger, and Jagdish Bhagwati (2004, 493).

The multiplication of papers, books and conferences around the world –like our ICCONSS for instance- are hopeful signs of a change that will remain unfinished as long as it is not disseminated through the undergraduate economic education. Our suggestion here is to disseminate the idea for a need for educational reform in undergraduate programs inside the Department of Economics. In Greece for example, severely touched by the crisis, after six continuous years of depression and with an accumulated loss of GDP of roughly -25%, what are the changes already made in our undergraduate curricula? Looking at the outlines of the courses taught at the eleven (11) undergraduate Economics Departments I am afraid, there have been very little changes.⁹

To end with a good example of textbook. Joan Robinson and John Eatwell (1973) have more than 40 years ago suggested an alternative textbook that is very close of what I have in mind as relevant microeconomics. It offers sufficient space to the history of our discipline, it analyzes promptly the factors of production, it makes a realistic description of the market mechanism and pricing of goods and services and introduces the student smoothly to a solid theory of capital and profit, not without reconsidering the fake division between micro and macroeconomic theory. There are of course other fine works which are serving the same purpose, and without the obsolete chapters on socialist planning. I have in mind *Understanding Microeconomics* by Robert Heilbroner and Lester Thurow (1984), and *Understanding Capitalism* by Samuel Bowles, Robert Edwards and Frank Roosevelt (2005).¹⁰ They all ask the right questions: what is production and consumption for? By whom? For whom?

⁹ By chronological order of their ‘date of birth’ Greece has the following Economic Departments at the Universities of Athens, Thessaloniki, Economic, Macedonia, Piraeus, Patras, Crete, Thessaly, Ioannina, Peloponnese, and Thrace. The first three were ‘born’ before the WWII, the next two in the late 1950’s, Patras and Crete in the late 1980’s, the next two in 1999 and the last two after 2000.

¹⁰ Fred Lee (2005) makes another proposal of what he calls “Heterodox Microeconomics” with a lot of suggestions for further reading.

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Some Effects of the Economic Crisis on Shadow Education in Greece

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Abstract

The ongoing economic crisis in Greece has had dramatic adverse impacts on several aspects of socio-economic and educational conditions and policies. Public expenditures for social programs (education, healthcare, social assistance, etc.) have been deeply cut. Greek households have seen their income decrease by one third between 2010- 2015. Unemployment still hovers around 25 per cent. The size of the traditional middle class has been steadily declining and large numbers of highly-educated people have migrated in search of employment. The need for access to post-secondary education, however, persists for large segments of the population. With the labour market becoming increasingly competitive because of the crisis, this need has now become more imperative than ever. Under these conditions, some effects of the economic crisis on “shadow” or supplementary education (SE) in Greece are explored.

In Greece, thousands of institutionalized, private educational entities offer for-profit educational services (“*frontisteria*”); they “shadow” the official secondary curriculum of education (primarily in Lyceum), and, along with private lessons, prepare students for tertiary education entrance exams. Given the crisis, a new landscape of “shadow” or supplemental education (SE) is emerging. Our research attempts to map out this new landscape by addressing some interrelated questions: whether the phenomenon of SE has moderated during the crisis; if the cost of SE has diminished and what SE providers are doing to maintain student enrollment levels; what the (new) working conditions for *frontisteria* teachers are, and what sacrifices parents make in order to continue to provide SE for their children.

Keywords: Shadow / Supplementary Education; Economic Crisis Effects; Greece; Responses; Implications.

The Phenomenon of Shadow / Supplementary Education (SE)

Since the 1960s, parallel with the free, formal, public secondary educational system (PSES), a well-organized, for profit, private, system of shadow or supplementary education (SE) – *παραπαιδεία* (*para*-education in Greek)- has developed and has become a crucial factor for student access to tertiary education (i.e., universities and higher education technical institutions (HETI or colleges) in Greece. SE is a well-organized, large institution, more flexible, adaptive and arguably more effective than the PSES. It is a complex socio-economic educational mechanism that competes successfully with the public elementary and secondary school systems; it feeds off their dis-functionalities and inefficacies, especially the inability of the PSES to prepare students for success in tertiary education entrance examinations (TEEE). As such, and perhaps more significantly, SE has become the single most important institution in facilitating

upward educational mobility and reproducing educational inequalities in Greece (Liodakis 2010).

The SE phenomenon is not exclusively Greek. In many countries around the world, various SE systems exist and are, in fact, becoming increasingly salient in Asia, Southeast Asia and even in North America, to a lesser extent (Aurini, Davies & Dierkes 2013; Canadian Council on Learning 2007). In Europe, there appears to be a split between the North, where SE intensity is very low, and the South (Greece, Cyprus, Italy and Malta) where SE intensity is the highest. SE is slowly becoming more socially acceptable and necessary because of increased competition for educational credentials both in Eastern and Central Europe (Bray 2011).

There exist several reasons for the world-wide rise in SE. Some are academic¹, such as government policy tendencies for over-loaded curricula in high-schools or the inability of PSES to “deliver the goods,” i.e., provide tangible positive learning outcomes. Therefore, both parents and students often believe that SE enhances student learning, not only for underachievers (Bray 2007). A more decisive factor is, however, the highly competitive, “high-stakes” TEEE taken late in high-school Grade(s) by which future pathways to tertiary education (TE) are determined (Bray 2011). This is why SE “shadows” public curricula in countries with TEEE, taken only in Lyceum Grade C’ in Greece. Generally, in countries where the demand for tertiary education is greater than the available positions, a *numerus clausus* is often used. When the number of candidates for TE is greater than the available positions, TEEE are used. The system becomes

¹ There exist several -primarily economic- reasons for governments (and SE institutions and/or individuals) to actually reproduce the structural conditions that allow SE to flourish in Greece, despite the current crisis. Time and space considerations do not allow us to address them here. In this study, we do not examine any specific government or wider civil society responses to SE changes (e.g., formal public-school enhancement classes; Greek government and/or European vouchers for private *frontisteria*; “social” *frontisteria*, etc.). We are only looking at the responses of private SE institutions and private tutors, parents and SE teachers.

highly competitive and usually leads to the emergence of SE institutions, like *frontisteria*. They are similar to but not identical with *cramming schools* and the institutions of *juku* or *kumon* in Japan (Bray 2009; Pyrgiotakis 2011).

Other factors are socio-economic and/or cultural. In many countries, the price of failure in TEEE is very high, not only in terms of limited or no future access to post-secondary education (PSE) but also in terms of the consequent relationship between PSE and future employment, high income returns (Psacharopoulos & Papakonstantinou 2005, p. 104; Cholezas 2011), social prestige, etc. (e.g., in Southern Europe, South Korea, Japan, China, etc.). In Greece, given the size and scope of SE, it is often reported that SE has become a “cultural obsession” (Liodakis 2010). If culture is understood as sets of practices and individual and/or group responses to ever-changing socio-economic relations and conditions (Satzewich & Liodakis 2013), then SE in Greece has become a *necessary* “cultural obsession” indeed, given its crucial role in TEEE.

Two features make the Greek case of SE special and unique in Europe: a) its “permanent ties” with and its absolute dependence upon the TE’s (universities and HETI) TEEE system, and b) its pervasiveness (very large size) and cost. For example, in 1993 it was estimated that 95% of all Lyceum Grade C’ students participated in SE, up from 64% in 1984 (Παιδαγωγικό Ινστιτούτο cited in Polychronaki 2002, p. 73). In a 2005 study of more than 3,000 first year university entrants, 80% reported that they have had some form of *frontisterio*²; 50% reported that they had private tutoring and 33% had attended both private and group tutoring in

² Psacharopoulos & Papakonstantinou refer here to *frontisterio* as the actual *process* of participating in some form of SE, not to the physical space or business establishment where SE is delivered. It is implied that they use the term “group tutoring” to refer to the physical space and the process of SE in a *frontisterio* and the term “private tutoring” to refer to private lessons.

preparation for their TEEE (Psacharopoulos & Papakonstantinou 2005, p. 105). A 2014 study of 534 households showed that 99% of all Lyceum Grade C' students attended either a *frontisterio* (54%), private lessons –PLs- (21%), or both (24%). Only 1% of respondents' children had not resorted to SE for TEEE preparation (SEFA 2014). Today, still in the midst of the devastating economic crisis, a study suggests that approximately 245,000 Lyceum students (Grades A', B' and C') attend some form of SE in Greece. This represents two thirds of all Lyceum students (SEFA 2015). Few other EU countries come close (Bray 2011). In fact, the Greek case may be comparable only to South Korea, Japan, Hong Kong and China (Aurini, Davies & Dierkes 2013). Moreover, 97% of students who participate in SE actually write the TEEE; only 66% of those who do not receive SE participate in the TEEE process (SEFA 2014).

In addition, SE is a very expensive proposition, as we will see below, when we analyze costs. Generally, it is estimated that, on average, Greek households spend more than 10,000€ for every child attending SE in all high-school grades (Lyceum A', B' and C'), in preparation for their TEEE, when the annual direct (government) cost of a university spot in Greece does not exceed 4,000€ (Psacharopoulos & Papakonstantinou 2005, p. 103). The Association of Educational Frontisteria Owners of Attica (SEFA) has estimated that household expenditures for *frontisteria* (not for language instruction, music, etc.) reach approximately 420 million € per annum (182,000 students multiplied by an average of 2,293€ for annual fees). Expenditures for PLs fees approach 250 million € (SEFA 2015). Both estimates appear conservative. The Centre for Development of Educational Policy (KANEP) of the GSEE estimated the total *parapedia* expenditures (including SE as defined herein) to total 3.9 billion € in 2013, approximately 2.2% of current nominal GDP; this was almost 80% of the government's annual budget expenditures

(4.9 billion €) for all education in Greece (KANEP/GSEE 2016, pp. 58-60, 110-113, 142-143). SE expenditures alone constitute 75% of all *parapedia* costs (KANEP/GSEE 2016, p. 144).

Examining the New Landscape: SE in Transition

The ongoing economic crisis in Greece has dramatic adverse impacts on the socio-economic conditions of the majority of people. The country's gross domestic product (GDP) has contracted by 25% since 2009. Household income has been steadily declining. It is estimated that between the last quarter of 2009 and the third quarter of 2015, nominal wages have declined by 37.1%; real wages have declined, on average, by 28.1% (GSEE 2016, pp. 74-75). Unfortunately, public funding for education has also declined by an estimated 36% during the crisis (Hellenic Government cited in European Commission 2015, p. 3). Yet, the need for access to TE persists for most. In fact, with the labour market becoming even more competitive because of the crisis (24.5% unemployment), this need may now be more imperative than ever.

In this study, the impacts of the economic crisis on the new SE landscape are explored, under these new uncertain and precarious conditions. Having interviewed *frontisteria* owners, teachers and parents, our research addresses four interrelated questions. We examine: 1) whether the size and scope of the SE phenomenon has been moderated by the economic crisis; 2) the cost of SE and the means by which *frontisteria* owners attempt to sustain SE student enrollment; 3) the new working conditions of SE teachers; and 4) the means by which parents are coping their children's SE opportunities, in light of their declining incomes. First, for theoretical and analytical clarity, we present a brief section on terminology for SE and its types. Second, we provide information on the data and methods of this study. Finally, we summarize the findings of

our study, as they relate to our questions, and provide conclusions and thoughts on future implications for SE in Greece.

Types of SE in Greece

The elementary and secondary Greek educational levels are divided as follows: The *Demotiko* (elementary system or EL) consists of Grades 1-6. The secondary system (SL) is divided into the *Gymnasium* (Grades 7-9) and the *Lyceum* (Grades 10-12). In this study, we are only interested in SE at the Lyceum level (Lyceum Grades A', B' and C').

In Greece, the term used to describe *all* non-official (informal; not state-provided), private and for-profit educational activities is *parapedia*. It includes foreign-language instruction, music lessons, digital learning (computer and information technology courses), as well as SE. SE activities are considered a subcategory of the larger, all-encompassing term of *parapedia*. We use the acronym SE to refer *both* to shadow *and* supplementary education, because it shares aspects of both. SE in Greece is greatly but not completely institutionalized or visible. It is offered by *frontisteria* (private tutoring institutions) as enterprises, often as franchises, but it is also delivered by individuals offering private lessons (PLs or *idietera* in Greek). SE offers for-profit educational services which *supplement* the teaching that takes place in public schools, “shadowing” the official secondary educational curriculum, in order to prepare students for TEEE (primarily in Lyceum). Also, large parts of the SE instruction, especially PLs, are not visible but hidden in the “shadows” (see Bray 2007, 2009, 2011). As such, SE is also part of the underground economy.

The institutionalized SE, visible and government-regulated business entities are called *frontisteria* (plural; *frontisterio* in the singular). The term refers to: a) the physical space in which SE instruction takes place (therefore the businesses); b) the educational process of delivering SE in such spaces. *Frontisteria* as business institutions are regulated by the Greek government. On the other hand, PLs as economic and educational activities are difficult to regulate because they are almost completely hidden. Historically, higher percentages of upper income parents have chosen PLs over *frontisteria*, with most lower-income households opting for the latter. This trend may be changing due to the current crisis, as we observe below. SE in Greece is delivered, then, by *frontisteria* and PLs. In this work, we limit our focus only to the part of SE which is directed at Lyceum students, in preparation for their TEEE. Special attention is paid to students, who take their TEEE in Lyceum Grade C'. We do not examine EL or Gymnasium SE activities.

In terms of SE delivery and participants (SE “consumers”), evidence suggests the following: 1) There exist large regional disparities. There is a clear urban/rural split. SE is more likely to be readily available in medium and large size cities, and less likely to be found in rural areas (Hatzitegas 2008). For example, in urban centres, 55% of students participate in SE (all school levels), whereas in rural areas the percentage drops to 45 (SEFA 2015, p. 2). There is a positive correlation (often strong) between the educational attainment and income of parents and the probability of their children participating in SE (Verdis 2002). The higher the educational level and income of parents, the more likely it is that their children will be placed in SE. For example, in the 2015 SEFA study, 35% of children with elementary education parents participated in SE; the percentage of children with post-secondary education parents rose to 55 (SEFA 2015). In terms of income, only 22% of children in households with monthly incomes

under 500€ participated in SE. This percentage increased steadily as household incomes increased, reaching 72% for households with over 2,000€ monthly incomes (SEFA 2015).

Data and Methods

Our qualitative data were gathered by interviewing subjects from the islands of Crete and Euboea, in the summers of 2014 and 2015. Twenty four (24) semi-structured interviews were conducted, on the condition of anonymity and no harm to participants. Eight (8) interviews were conducted with *frontisteria* owners (FOs), eight (8) with *frontisteria* teachers (FTs) and eight (8) with parents (Ps) whose children attended a *frontisterio* or took PLs. The process of sample selection is explained below.

Frontisteria

We used the list of the *Paratiritirio Didaktron* (*Frontisteria* Fees Monitor or FM) of the General Secretariat of Commerce and Consumer Protection (<http://app.gge.gov.gr/>) of the Hellenic Ministry of the Economy, Development and Tourism for three reasons: a) it is an appropriate sampling frame for the current study since the FM list contains almost all legal *frontisteria* in the country; b) to access and compare the fee schedules reported by *frontisteria* owners (FOs) to the FM; and c) because of the reliability of FM data, given that, by law, FOs are obliged to report their fee schedules annually; penalties are set for non-compliance or false-reporting.

We began with the prefecture of Rethymnon, in Crete, Greece, because of researcher proximity and easy access for personal interviews. In order to construct our FOs sample, we selected randomly 6 out of the 18 *frontisteria* in the Prefecture of Rethymnon, found in the FM

list. Out of the 6 FOs contacted, 3 immediately agreed to answer our research questions. The rest FOs replied that they were “too busy right now, in the middle of the summer session” but were willing to talk to us “at a less busy time.” One of the three FOs, however, offered to introduce us to 2 of her fellow FOs in Herakleion, Crete. The other offered to introduce us to 3 of his fellow FOs in the island of Euboea (Vassiliko, Eretria and Chalkida), in the Region of Central Greece. Both said they knew those fellow FOs from their common participation in the activities of the Federation of Educational Frontisteria Owners of Greece (OEFE). We accepted their offer and contacted their fellow FOs who were “happy to talk to us.” Thus, we conducted a total of eight FOs interviews. Six of our FOs were male and two were female.

Frontisteria Teachers

We used a snowball sampling technique (Bryman & Bell 2016) to create our *frontisteria* teachers’ (FTs) sample. Given the geographical distribution of the FOs informants, we contacted several teachers in Rethymnon, Herakleion and in the island of Euboea. Unfortunately, we did not get any respondents from Herakleion. We selected 5 from Rethymnon and 3 from Euboea. Three FTs were males and five were females. All FTs had university degrees and had been teaching in SE for over seven years.

Parents

We chose to interview parents whose children participated in SE by attending either *frontisteria*, PLs, or both, in order to prepare for the TEEE. Using a snowball sampling technique, we first approached parents in Rethymnon. Two of our six Rethymnon interviewees introduced us to two more parents, one in Herakleion and one in Chania. Six of the parents interviewed were females and two were males. The educational background of parents ranged from elementary to

university education; their occupations varied from private employees, to hair salon owners, civil servants, pensioners and civil engineers. They were parents of one, two, three or four children.

We interviewed FOs first, *frontisteria* teachers next, and parents last. All informants in Rethymnon were interviewed in person. For all others, telephone interviews were conducted. Despite the limitations of our sample, our data seem rich and demonstrate high levels of credibility, dependability and confirmability (Silverman 2001; Shenton 2004), as it will become clear from our discussion below. We do not make any claims of transferability, although research conducted on behalf of FOs shares most of our findings (SEFA 2012, 2014, 2015).

Discussion and Findings

The qualitative analysis of the data gathered indicates that, under the new crisis conditions in Greece, there is a new SE landscape emerging. *Frontisteria* appear to operate under a new scheme. The main characteristics of this new operating scheme are that a) FOs have decreased their fees and reduced teachers' pay; b) *frontisteria* teachers have accepted decreases in hourly wages and experienced an intensification of their labour process, and c) parents are trying hard to save as much as possible in order to continue to enroll their children in *frontisteria*, especially during their preparation for TEEE in Lyceum Grade C'. As one FO exclaimed, referring to all stakeholders, FOs, parents, and teachers "*in general, things have changed for all sides!*" Below we present the main responses and new strategies of SE stakeholders.

***Frontisteria* owners: Fees and enrollment trends**

Some of the *frontisteria* were small businesses in villages and towns (as in Vassiliko and Eretria in Euboea). Other *frontisteria* were larger and well-known businesses in small cities (as in Rethymnon, Crete) and others were large businesses with two or three sites in larger cities (in Herakleion, Crete). One *frontisterio* was a franchise business, member of a large country-wide group of *frontisteria*, in Chalkida, Euboea. Regarding *frontisteria* fees, these varied depending on the year of study and there are variations amongst several *frontisteria* as well. It has to be noted that, due to changes in legislation, the number of subjects on which students are tested for the 2016 TEEE has decreased from 6 (until the year 2015) to 4 from the year 2016 and onwards. Thus, in the school year 2015-2016 students attend *frontisteria* for fewer school subjects and, consequently, parents are charged lower total fees. According to the *frontisteria* owners we interviewed, prior to the economic crisis in Greece the fees charged for Lyceum students (for 6 subjects) were as follows: in Lyceum Grade A' students were charged from 1,530 €/year to 2,250 €/year. In Lyceum Grade B' students were charged from 1,530 €/year to 2,880 €/year and Lyceum Grade C' students were charged from 2,700 €/year to 4,050 €/year. Furthermore, Lyceum Grade C' students' preparation in *frontisteria* for the TEEE usually starts in the summer proceeding Lyceum Grade C', and costs an additional 1,000€. Thus, Lyceum Grade C' preparation for the TEE exams actually costs from around 4,000€ to 5,000 €/year. Finally, *frontisteria* charges varied depending on the year of study and were especially high for the final year of preparation for the TEE examinations.

Since 2010, especially in 2015 when the number of exam subjects decreased by one third (from 6 to 4), *frontisteria* fees have also decreased. On average, Lyceum Grade A' students are now charged between 1,080 €/year and 1,620 €/year. Lyceum Grade B' students are charged

from 1,080 €/year to 1,980 €/year and Lyceum Grade C' students are charged from 1,980 €/year to 3,150 €/year. In addition, approximately 1,000€ is charged for the senior year students' preparation in the previous summer, raising the fees for the Lyceum Grade C' students from 3,000 €/year to approximately 4,150 €/year. According to a *frontisterio* owner interviewed, in the previous years and during the crisis, when students sat for exams in 6 subjects, total fees for Lyceum Grade C' students reached 5,000 €/year. This seems to be consistent with both the FM and the fees suggested by SEFA.

Most *frontisteria* owners reported that, when comparing the student enrollments before the economic crisis and present day, there is a 10% decrease. One owner in Rethymnon, Crete, reported that the student population in his *frontisterio* has decreased by 20%. An owner in Chalkida, Euboea, whose *frontisterio* is a franchise and belongs to a larger group of *frontisteria*, was the only one to report that, although there is decrease in the number of Gymnasium students, there is an increase of Lyceum students in his *frontisterio*. This was attributed to the shift from private tutoring, a wide-spread phenomenon prior to the crisis, to attending *frontisteria* nowadays. This *frontisterio* owner explained that, parents could afford to send their children to PLs before the crisis (which were more costly than *frontisteria* then), but now they have had to switch to the less costly *frontisteria*. As for Gymnasium students, today they either take no supplementary courses or attend very low cost private lessons. Some private tutors (with less teaching experience or greater need for work) have decreased their fees so much that they now cost less than *frontisteria*. More *frontisteria* owners, however, have mentioned that the post crisis Gymnasium student population decrease is of greater extent, although they were not asked about Gymnasias.

The *frontisteria* owners explained that this decrease in their student population is due to the deteriorated economic conditions of parents. A *frontisterio* owner in Herakleion, Crete, noted that the decrease in student population in *frontisteria* is smaller than the decrease of private lessons. With the advent of the economic crisis, private lessons decreased first; *frontisteria* were affected by the crisis at a later stage. There are public education teachers who offer private lessons under the table, and they have also decreased their private tutoring charges considerably. One additional dimension of the matter put by this owner is that there is lack of disposable income so many parents enroll but do not pay for their children's fees. Another owner in Rethymnon, Crete, agreed that the crisis did not affect *frontisteria* immediately, but at a later stage; it began to hurt them financially in 2012. He stated that "*the frontisteria are pressured a lot and are struggling to survive.*" He also agreed that some parents are delaying payment of their children's fees and often FOs have had to offer some additional services free of charge. There have been some parents who haven't paid any fees for the whole year and the FO lets the student attend classes either because he feels sorry for him/her, or because the student's siblings have attended his *frontisterio* in the past.

Efforts to increase student enrollment

In light of the apparent decline in student enrollment, many *frontisteria* owners have resorted to advertising as a means to sustain or increase it. In some franchise *frontisteria*, there was advertising on television as well. Furthermore, they have worked hard to strengthen their relations with parents. In small cities as in Chalkida, Euboea, they worked on developing close relations with parents in their region. Another owner, in his effort to attract more customers

turned to greater and better targeted advertising. He also increased additional services to students. For example, he hands out more free exercise books and routinely organizes educational and professional orientation events for his students free of charge. The handbooks he provides for his students are preparatory for the TEE exams and the teachers in his *frontisterio* work to produce this material. Finally, the teachers in his *frontisterio* are evaluated on their class performance and on students' learning outcomes and exam performance.

In order to maintain the student enrollment, another *frontisterio* owner increased the number of students in tutorial groups, so as to decrease per student fees, which is more attractive to parents. As seen earlier, there is a large variation of fees amongst the *frontisteria*, especially in Lyceum Grade C'. The number of students per group was increased from 5 to 6 or 7, thus increasing the teacher-student ratio. Larger teacher-student ratios have, of course, consequences on the quality of learning and the pedagogy (i.e., teaching methods) used (Liodaki 1996). In addition, this owner cut the *frontisterio* expenses by decreasing his teachers' pay and stated that this practice was also used by other FO colleagues.

In another case, a *frontisterio* owner in Rethymnon, Crete, claimed that he decreased pre-crisis fees by almost 50% and consequently cut the pay and the hours of his teachers (*frontisteria* teachers are paid by the hour). A 50% reduction is rare, but he also claimed that he cut employee costs by 30-40%; nevertheless, even this has proven inadequate in "saving" his business, since he has experienced a sharp reduction of both his income and profits. All 8 *frontisteria* owners who were interviewed reported that they reduced their fees in their effort to sustain student enrollment. On average, the percentage of fee reductions varied from 15% to 30% (with the 50% being the exception), depending on the *frontisterio*. Some owners reduced fees gradually, every year of the crisis. Two of the owners noted that in spite of a 30% reduction of fees, there exist

parents who are still unable to pay for their children's fees. Consequently, owners end up teaching several students free of charge, or, in other cases, accepting students from large families without charging them.

Frontisteria owners reported that parents try to save from other expenditures in order to continue to send their children to *frontisteria*, despite their declining income. Parents have reduced other expenses and adapted their personal needs in order to allocate potential family savings to their children's SE. One *frontisterio* owner claimed that "*their children's frontisterio would be the last thing they [parents] would have to cut down.*" Two *frontisteria* owners noted that parents will not send their children to a *frontisterio* during Gymnasium and Lyceum Grades A' and B' if they cannot afford it, but they will make every effort to send their children to a *frontisterio* in Lyceum Grade C', for TEEE preparation. Or, youngest siblings will not attend a *frontisterio* in early grades so that the Lyceum Grade C' student could be sent to one. In addition, and contrary to past trends, parents nowadays may send their children to a *frontisterio* for only two or three months instead of the whole school-year, or occasionally only.

Another *frontisterio* owner noted that parents wish to send their children to a *frontisterio* at least in Lyceum Grades B' and C' and in order to achieve this they may cut down on their children's other paid activities (sports, entertainment, other *parapedia* activities, etc.). During the economic crisis though, parents may stop their children from attending a *frontisterio* if they are "*weak students*" (i.e., low achievers), which was not always the case prior to the crisis. This may be a new, emerging trend. This FO added that he personally informs the parents about any weak students so that "*they can act accordingly,*" because he is a "*serious businessman*" who has owned his *frontisterio* for 23 years and keeps close relations with parents. His *frontisterio* is located in a village, thus he is personally related to his clientele and wishes to have relationships

of personal trust with parents. It was reported by a different *frontisterio* owner that parents with high-achieving children agonize over ways of saving, in order to safeguard their children's education.

One FO mentioned that sometimes it is the grandparents who pay for their grandchildren's *frontisterio* (when parents cannot afford it); in other cases, parents have planned savings in previous years; in some cases, both happen. Other parents have cut down the number of subjects their children attend a *frontisterio* for, focusing only on the subjects their children are weaker and need more help. Finally, an FO replied that parents "*continue their sacrifices*" for their children's education and that he was aware of cases where parents have even taken loans in order to send their children to a *frontisterio*, which, often, they conceal from their children.

In terms of FOs' responses, it was stated that parents are reporting to have cut down on their living expenses, such as new clothing or shoes both for themselves and for their children. They have also reduced their everyday expenses, vacation, unnecessary travel, entertainment, even their supermarket and food expenses (by growing their own vegetables), gas consumption and energy (including heating and cooling), in order to save and continue to finance their children's SE. Parents, it was said, now try to work more as well, for the same reason. At the beginning of the crisis parents are said to have cut down on everything else and finally they had to cut down on their children's *frontisterio*, too. Parents who can still afford it (with high incomes), however, continue to finance their children's private lessons, which cost more than *frontisteria* (e.g. a private lesson in Math may cost 18€/hour). In spite of the above, FOs reported that they are facing fee payment delays and increasingly, parents are asking for more 'economic packages' (i.e., lower fees). In some *frontisteria* there are 50% discounts for parents

who are both unemployed (and still wish to send their children to a *frontisterio*), families with 4 children or more and parents with more than one child attending the same *frontisterio*.

One *frontisterio* owner referred to a shift of preference of some parents from *frontisteria* to private lessons because of the economic crisis. This was due to the fact that many young, inexperienced and unemployed teachers dropped their charges to as low as 6-7 €/hour, whereas a *frontisterio* hour costs to parents 3.5-4€/hour. Some parents who can afford it, therefore, preferred to pay the higher (double) charge in order to provide private tutoring for their child at home. *Frontisteria* teachers also referred to this growing trend.

***Frontisteria* teachers**

The *frontisteria* teachers (FTs) interviewed were employees in small, medium or large *frontisteria*. They taught various subjects (Greek, History, Mathematics and Physics). Half of the eight FTs interviewed stated that they were not aware of their *frontisterio* charges to students. Those who were aware of the charges in fact confirmed the fees reported by FOs. One teacher mentioned that in the *frontisterio* she works they are having an increase in student enrollment after the economic crisis and attributed this to the decline of the quality of public education. Due to insufficient teachers' appointments to public schools, the teacher-student ratio in public schools has risen. In addition, many teachers are appointed to public schools late, two to four months after the beginning of the school-year. Consecutively, parents enroll their children to *frontisteria* to ensure better learning conditions and, hopefully, greater exam performance.

Another teacher replied that in the *frontisterio* she works they have experienced a 30-40% decline in students' enrollment after the economic crisis. She added that before the crisis

private tutors charged 25€ per hour whereas now they charge 25€ per two hours and there are now private tutors who charge as low as 8-10€/hour. Another teacher noted that in the *frontisterio* he works there is a sizable decline in students' enrollment in Lyceum Grades A' and B' (30-40%), but in Grade C' the decline is not as great (10%). In Gymnasium, the decline is over 40%. Another teacher agreed that *frontisteria* fees are "*much lower now*" and in the *frontisterio* she works they have had a 60-70% decline in student enrollment after the crisis. According to this teacher, parents are purportedly turning to very inexpensive private lessons costing as low as 3-4€/hour. She added that this decline in student enrollment has led to fewer working hours per week for *frontisteria* teachers in the last 2-3 years. They used to work for 10-15 hours/week and now they are employed for only 4-7 teaching hours/week, which renders their monthly income utterly inadequate. Two other teachers mentioned that in the *frontisteria* they are employed the decline in student enrollment is 10% in Lyceum Grade C'. Finally, a FT mentioned that in the *frontisterio* she works there are few Gymnasium students enrolled, but they are having increased enrollments of Lyceum students who have now turned to *frontisteria* from the more expensive PLs, so they have maintained their overall student population.

According to FTs, FOs have attempted to confront the decrease of student enrollment by a) decreasing teachers' pay; b) decreasing their own fees, and c) increasing the number of students per class (i.e., increasing the teacher-student ratio). Teachers' working hours (thus, income) have decreased due to the decline in student enrollment and the increase of the number of students per class. FTs confirmed that the efforts of FOs to maintain student enrollment include organizing information events, delivering free exercise books to their students and offering students skills tests and educational counseling. All eight teachers responded that their

employers decreased *frontisteria* fees by 5-20%. Despite the reduction of fees and the facilitation of fees payment, some parents often fail to settle their bill.

FTs reported that parents, despite their decreased income, are willing to do without other things and ask for reductions in the *frontisterio* fees in order to support their children's SE. Some parents take up a second or even a third (menial and/or part-time) job and reduce other expenses. They also delay paying off the *frontisterio* fees or do not pay their children's fees at all. A teacher stated that in the *frontisterio* she works there are many enrolled students who do not pay their fees. Before the economic crisis 7/10 of the students in this *frontisterio* paid their fees, but now only 3/10 of the students actually pay their fees. Parents are said to have turned to grandparents and other third parties to finance their children's *frontisterio*. Teachers claimed that parents are now saving on shopping (clothing and similar expenses), cutting entertainment for themselves and their children, excursions, weekend getaways, travelling, nights out, personal expenses (hairstyling and other personal care), their children's allowances etc., in order to support their children's *frontisterio*. First they reduced their own expenses and then their children's. Only parents who are well off send their children to *frontisterio* in Gymnasium nowadays.

According to one teacher who has taught in different *frontisteria* for 15 years, parents in her region (Euboea) have stopped sending their children to PLs (which were more expensive), but have had to send their children to a *frontisterio* because they want them to be "*properly educated*." Unfortunately, the public school in their region has various deficiencies and is seriously understaffed, so the local *frontisterio* where she works is thriving because public schooling is insufficient. She referred to this *frontisterio* in Vassiliko (a large village) as a "*very good enterprise where good work is done*" and it is preferred by parents despite the fact that fees

are more costly than in the nearby city of Chalkida. She added that the FO evaluates his teachers also. It appears that teacher evaluation by FOs may be another new emerging trend.

Two of eight FTs interviewed answered that the *frontisterio* owner did not cut down teachers' hourly pay after the economic crisis. The remaining six confirmed that their employers reduced their pay as a response to enrollment decline and the overall worsening economic conditions; "*it is an economic domino,*" one teacher reported. One of these six teachers reported that in the *frontisterio* she works, most teachers experienced pay reductions, except those who are reputable because they are either really good or have become well-known, and are thus coveted by parents. These 'sought after teachers' had no decrease (or increase) in their pay, but at the same time the owner has also hired inexperienced teachers with 4€/hour pay. The above six teachers replied that *frontisteria* owners reduced teachers' pay by 10-20%. Teachers who were paid 10€/hour before the crisis are now paid 9 or 8€/hour. Elsewhere, those who were paid 9€/hour are now paid 8 or 7€/hour. Other employers pay their teachers 8€/hour and even 6 or 5€/hour now.

During the crisis, when teachers' income declined, they either reduced their own private lessons charges to attract more customers or tried to work in more than one *frontisteria*. Those who did not have to offer private lessons in the past, in addition to working in a *frontisterio*, have now turned to private lessons, also. All teachers interviewed answered that they reduced their hourly charges for private lessons they offer. When asked about their hourly charges, two teachers replied that charges vary from 10 €/hour to 12 or 15 €/hour, depending on the class and subject. Other teachers reported greater variation in charges, between 15 and 20€/hour to between 25 and 30€/hour, for more experienced teachers. The teachers we interviewed alleged that inexperienced teachers charge 10 €/hour. They also reported that lower charges (10-

15€/hour) are for Gymnasium students, whereas in Lyceum teachers charge 12.5-25€/hour, depending on their reputation and experience. Parents choose a private tutor according to their economic conditions. One teacher mentioned that in her region of Vassiliko, Euboea, there is high unemployment because several factories have now closed down. So, private inexperienced tutors charge 5-7€/hour. Parents prefer them for Gymnasium tutoring and, if they are happy with their work, they keep them for Lyceum tutoring later. One teacher noted that the average charge for private lessons is: 10€/hour for Lyceum Grade A', 13€/hour for Lyceum Grade B' and 15€/hour for Lyceum Grade C'. In Lyceum Grade C' private tutors may organize small groups of two or three students with more appealing charges. Specifically, whereas one student would be charged 15€/hour, a couple of students are charged 20€/hour. Thus, the teacher is paid 20€/hour but parents are charged 10€/hour each. In a small group of three students, the teacher is paid 24€/hour but the three parents are charged only 8€/hour each. This appears to be a new strategy beneficial for all. In conclusion, there is wide variation in private lessons charges, depending on the teachers' financial and work situation, experience, the student's grade and the subject taught.

Teachers were asked whether parents preferred to send their children to *frontisteria* or private lessons during the economic crisis and their answers again varied, indicating that parents made choices according to what they could afford. One teacher responded that parents turned to private lessons in Gymnasium and to *frontisteria* in Lyceum. She added that it is not rare for private tutors not to be paid for their lessons, which has happened to her also. Three teachers responded that parents turned to *frontisteria*, apparently for lower fees charges (they were given offers, packages etc.). The remaining teachers responded that parents turned to private lessons for a few hours a week, which was less costly. They also preferred private lessons with 4€/hour charge, despite a teacher's lack of experience, and associated this to the high unemployment rate

in their region (Euboea) after the factory closures. One of these teachers emphasized that parents “turned to low cost private lessons,” since this was what they could afford: they did not give up the *frontisterio* (which cost 5€/hour) to turn to a private lesson of 25€/hour, but turned to a private lesson of 7-8€/hour, despite the teacher’s lack of experience. Finally, another one of the above teachers said that there were parents who could afford better learning conditions for their children and higher charges, so they took their children from the *frontisterio* and started private tutoring. This was due to the increased teacher-student ratio in the *frontisteria*. As we mentioned above, during the crisis FOs formed classes with larger numbers of students, leading to worsening learning experiences. Parents who could afford it, took their children out of these *frontisteria* and sent them to private lessons instead. According to teachers, the economic situation of parents seemed to determine, in large part, the type of SE sought for their children.

Parents with children in SE

The parents who were interviewed had children who had either attended a *frontisterio* or had both attended a *frontisterio* and taken private lessons, in preparation for their TEE examinations. Two out of the eight parents interviewed had three children who were all university students at the time of the interviews. All parents interviewed had children who entered tertiary education (either a university or a technical education institution) after preparation in a *frontisterio* or having taken private lessons.

Parents were asked how much *frontisteria* or PLs cost them in the three grades of Lyceum. Their answers varied. Not all children attended a *frontisterio* exclusively or continuously. Some took private lessons or attended a *frontisterio* only for one or two school

subjects. So, there were parents who paid 1,000€/year for their child's lessons in Lyceum Grade A' and others who paid from 3,150€/year for *frontisterio* up to 5,400€/year for private lessons in the same grade. In Lyceum Grade B' there were parents who paid 1,000€/year for their child's lessons and from 3,200€/year to 4,050€/year for *frontisterio*. Parents paid even up to 7,200€/year in private lessons in the same grade. In Lyceum Grade C' some parents paid from 1,500€/year to 6,000€/year for their child's *frontisterio*. In the same grade, other parents paid from 2,050€/year to 10,000€/year for their child's private lessons.

The eight parents interviewed reported that their family income decreased by 20% to 50% during the economic crisis. When asked how they dealt with their income decrease in relation to their children's SE, all eight parents replied that they continued to send their child to a *frontisterio*. Two parents answered that they changed nothing with regard to their children's education and they are struggling to cope with the rest of family expenses. One father replied that they "altered" their expenses. They "*sacrificed from elsewhere in order to sustain the frontisterio expenses.*" One mother responded that their daughter was a Lyceum Grade B' student when the crisis started, so they could not discontinue their child's *frontisterio* attendance. In order to cover the *frontisterio* expenses, the mother had to work more. Another mother replied that they chose less costly solutions. Before the crisis, three of their four children attended private lessons. During the crisis, the children were sent to *frontisteria* instead. One more mother said that the reason nothing changed with their child's education was that they had saved up before the crisis especially for their child's *frontisteria*. One father responded that they also used their savings for their child's *frontisterio*. Since their savings were insufficient, they had to cut on other expenses. They grew vegetables to cover for their household's needs and save on food expenses.

Four parents replied that the *frontisterio* their children attended cut fees by 5-10%. One mother reported that the *frontisterio* their daughter attended “*made offers and packages*” to parents and gave extra hours of free lessons to students. At the same time, they facilitated parents who were unable to pay off their children’s fees by offering them lower fees. Finally, some owners postponed fee payment until the following August or September, i.e., 3-4 months after the student had taken the TEE exams. One parent reported that their son’s private tutors decreased their charges from 17-18€/hour to 12€/hour. The remaining parents reported that their child’s private tutors did not decrease their charges and one of these parents reported that the private lessons for their son in drawing (a School of Architecture candidate) were particularly costly. Four of the eight parents noted that decreases of the *frontisterio* or private lessons charges were insufficient. All eight parents reported that they had to cut down on other expenses due to their own income decrease, in order to finance their child’s *frontisterio* or private lessons. They cut down on their outings, shopping (clothing and shoes), vacation, personal expenses, entertainment, excessive fuel spending (they reduced car transportation), excessive supermarket expenses, other everyday expenses, bills, “*unnecessary expenses*”, “*expenses which were not of first priority, not first need things*” and “*on everything, really*”. One mother reported that following their income decrease and in view of their third son’s preparation for the TEEE, the two older sons who were university students in Athens had to live in student residence instead of in an apartment. Also, the third son had to choose a university department either in their hometown (to stay at home), or in Athens in order to live with his brothers who lived there. None of the eight parents interviewed cut down on their children’s *frontisterio* or private lessons. They were specifically asked on this and they all answered negatively. What they did was to

send their child to a *frontisterio* or PLs according to what they could afford (varying from 1,500€/year for early grades, to 10,000€/year for Lyceum Grade C’).

One mother of four children noted: “*Health and food come first. Then, frontisterio follows. Our first priority is surviving and our children’s ‘food’ follows*” – by ‘food’ she meant her children’s education, which in Greek “culture” includes SE. One father added that having two sons who studied out of town, in two different cities, they had to ask their daughter to study in their hometown; otherwise they would be unable to support her studies. Another mother wanted to report her experience from both her children. Five years ago, at the beginning of the economic crisis, when her daughter was in Lyceum, only two students (out of 25-30) in her daughter’s class at school attended a *frontisterio*. The large majority of students (80-90%, she says) took private lessons, which were more expensive. Nowadays, when her son is a Lyceum Grade C’ student, the opposite takes place: only two students in a school class take up private lessons and all the rest attend a *frontisterio*. She emphasized that parents have turned to the less costly solution of *frontisterio*. Finally, a father wanted to share with us his view that “*there should be good public education, so there would not be a need for frontisteria.*” He added that a regular practice of the Greek family has been to cut down on its other expenses in order to ensure their children’s education. This practice does not seem to have changed after the economic crisis in Greece.

Conclusions

The analysis of the gathered data indicated that *frontisteria* in crisis-stricken Greece operate under a new scheme. The deteriorating economic conditions of the country have brought about

discernible changes in SE for all the stakeholders involved: *frontisteria* owners, teachers and parents. Our interviewees pointed to several new coping strategies that have emerged. FOs have decreased their fees. Evidence from the FM and from our data from teachers and parents suggest that the FOs claims on the size of this decrease may be exaggerated. Despite the decrease, whatever its size, fees are sometimes not paid off. FOs have taken measures to survive as businesses and cope with the apparent decline in student enrollments. Such decline indicated the emergence of an unprecedented reality for SE in Greece. Since the 1960s, SE enrollments have gone up, only. FOs are now making special offers, offering free extra educational services and are facilitating parents with fee payments. They have also decreased their teachers' pay and hours of work.

Teachers, therefore, reported that they must seek extra work in more than one *frontisteria* and are offering more private lessons in order to sustain their declining income. Most private tutors have also decreased their hourly charges; younger, more inexperienced teachers work at very low hourly wages. The decrease on teachers' hourly charges in private lessons corresponds to their own economic conditions and their need for work. One thing is definite: the labour process, the working conditions and the wages of FTs are worsening. Parents reported that they are doing everything in their power to save so that their declining income will not affect their children's SE. Despite the great challenges and constraints of the economic crisis, their children's education remains a top priority; a necessity. Interviewed parents confirmed what *frontisteria* owners and teachers reported: they have cut down on all other expenses in order to continue to send their children to *frontisteria* or private lessons. They continue to pay in order to provide their children with an opportunity to access tertiary education.

SE as an educational phenomenon is in transition but continues to “persevere” in Greece. It may be temporarily dwindling but it is certainly not fading. Given the inadequacies and shortcomings of the PSES, the competitive nature of the TEEE, the crucial role of post-secondary education in upward social mobility (future employment, income, social status, prestige, etc.), and the pervasiveness of the “SE culture” in Greek society, amply demonstrated by our interviewees, it is almost certain that SE shall continue to persist, even in a more constricted form.

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**“The return to work policies in a time of crisis:
a comparison between Germany and France”**

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Abstract:

Financial innovations for jobseekers have resulted, in Germany and France, in the implementation of financial incentives to return to work. These financial incentives have taken the form of permanent incentives with the payment of grants to return to work and of financial aids to business creation. They also have taken the form of transitory incentives through the tax credit mechanism and through the diminution of the marginal tax rate applied to the measure of “labour income plus social allowances”. The effects of the financial incentives on reintegration into the labour market remain ambiguous. Despite their rather positive impact on employment, they do not significantly increase the rate of return to work of the unemployed. In addition, they contribute to the development of low-wage jobs and do not always allow the recipients to go out of poverty.

Key words: financial incentives, return to work, Germany, France

JEL classification : J08, J65, J68

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The return to work policies in a time of crisis: a comparison between Germany and France

European welfare states have developed instruments to ensure the reintegration of the excluded from the labour market (and the job retention of the employees). These instruments developed for the recipients receiving unemployment insurance benefits and for the welfare recipients (only for those who are able to work) have concerned two levels. In terms of financing of social policies, resources come from increasing taxation (social public expenditures are more financed by the tax and less by the social contributions). In terms of targeted people, these instruments have mainly consisted of financial incentives to return to work. Incentives to work can be positive incentives (opportunities and orientation of individuals' behaviours) or negative incentives (obligations and sanctions); but only the first ones, based on the logic of monetary motivation to work, can be seen as financial incentives.

Positive incentives are based on the principle of "making work pay", that is to say to stimulate job search and acceptance of a job or to encourage to remain in the labour market thanks to programmes that allow the targeted individual or household to get an additional income. To make attractive the employment, the idea is to play on the financial gap between the amount of benefits received and the amount of earned incomes. The cases of France and Germany are illustrative of "back-to-work" policies which are based on the implementation of such financial incentives to work since the 2000s. These programmes combine permanent measures and transitory devices that have ambiguous effects on the return to work.

1. Permanent incentives to work...

Permanent incentives to work refer to all the devices to guide and/or modify the behaviour of a beneficiary through the payment of grants and bonus so that he realizes a financial gain. These take the form of bonuses for obtaining a job, of financial aids to return to employment and of grants to return to work, but also of financial aids to create or take over a company.

1.1. *The payment of bonuses, grants and allowances to return to work*

One form of work incentive is the payment of bonus for obtaining a job, of financial aids to return to work, and of compensation for getting an employment. In France, a “Prime de retour à l’emploi” (PRE) of € 1,000 was established in 2006 for recipients of social benefits, registered as jobseekers for at least one year with the National Agency for Employment (NAE) and who begin a new job or who return to work. This bonus to return to work was paid by the office in charge of the payment of benefits before starting a new job, that is to say by the “Assedic” (*Association pour l’emploi dans l’industrie et le commerce*¹) or by the “CAF” (*Caisse d’allocations familiales*²). It was paid to recipients who returned to work and to those who created a company; and it could be granted only once in a period of 18 months from the first 4 months of work. The device of PRE was definitively repealed in 2010. But a fixed monthly bonus to return to work was established in 2006 for the beneficiaries of the “ASS” (*Allocation de solidarité spécifique*³). This one was paid monthly by “Pôle emploi” (NAE) and this bonus refers to a mechanism of fixed incentive for 12 months maximum when

¹ Association for Employment in Industry and Trade, office in charge of the payment of unemployment insurance benefits.

² Office in charge of the payment of child benefits and families allowances.

³ The Special Solidarity Allowance is a social assistance benefit paid by the State to the unemployed who have no (longer) entitlements to unemployment insurance.

employment is taken up by the beneficiary for a period sufficient to ensure his financial autonomy.

The bonuses for getting a job have been completed by financial aids to return to work, which have taken the form of the “APRE” (*Aide personnalisée de retour à l’emploi*) for the recipients of the “RSA” (*Revenu de solidarité active*) who have the obligation to search a job. The APRE has been created with the RSA to ensure the support towards employment for people who are furthest away from the labour market and its aim is to allow the recipients to begin a job or get one by taking in charge a part or all of the costs incurred in order to access or reintegrate the labour market (training, starting a business, return to work). This aid is approximately € 700 per beneficiary and it “is a real financial boost in the context of taking over a job by financing actions that are not supported by the law” (Bocquet, 2013: 5)⁴. Unlike the PRE or the fixed monthly bonus, the APRE is not uniform: the terms and conditions to obtain it differ depending on the department where the recipient lives and its amount depends on the categories of expenditures.

In Germany, the payment of a bonus to get a job takes the form of the compensation to offset the additional expenses related to work (*Arbeitsangelegenheiten mit Mehraufwandsentschädigung*) and the compensation to the basic allowance (*Aufwandsentschädigung*). Introduced in 2005 through the “Hartz IV” reform, *Arbeitsangelegenheiten mit Mehraufwandsentschädigung* is a compensation for "job opportunities" in the public sector that do not compete with the jobs in the regular labour market. It refers more specifically to the "one euro jobs" (*Ein-Euro-Job*), which are jobs for long term unemployed who are recipients of welfare benefits in order to maintain or regain their employability and, doing so, to ensure to them a "springboard" towards ordinary jobs in the labour market. This compensation is in addition to unemployment benefits up to a

⁴ Translated into English by the author from the following French quote: « représente un véritable coup de pouce dans un contexte de reprise d’activité en finançant des actions qui ne sont pas prises en charge par le droit commun ».

maximum of € 200 per month (corresponding to a job of 30 hours per week which is paid on average € 1.5 per hour). Paid in addition to unemployment benefits, "compensation for additional expenses" is not considered as a salary, but it helps to support the costs incurred in returning to work. *Aufwandsentschädigung* is a financial aid for supporting secondary activities as self-employed by taking in charge a part of the costs associated with volunteering. It is paid for a part-time job (maximum 13 hours per week) in a non-profit organization (including associations) or in a public administration and its amount depends on the economic sector of the activity.

A monthly bonus called "*Einstiegsgeld*" can also be given to the recipients of *Arbeitslosengeld II* (welfare benefits for the unemployed) if they agree to take a wage employment (involving social security contributions) or, in some cases, if they decide to start their own business (Kramarz *et al.*, 2012: 20). The payment of the bonus is left to the discretion of the competent authority. This bonus, whose aim is to support the return to work, is granted for a period of 24 months but its amount cannot be higher than the standard rate of the unemployment benefit II.

1.2. The financial aids to create or take over a company

Devices of aids and bonuses for the creation or takeover of companies have also been established to encourage the return to work. In Germany, self-employment was boosted via "*Ich-AG*" (*Ich-Aktiengesellschaft*) for the creation of individual micro-enterprises, which was partially replaced in 2006 by the bonus for the creation of an independent activity (*Gründungszuschuss*) (Koléda & Brun-Schammé, 2010). Introduced in 2003, *Ich-AG* consisted in granting a financial aid to the unemployed at the time of the recovery of an autonomous professional activity or during starting a business. Were eligible the unemployed

persons seeking to start their own activity and receiving unemployment benefits or benefiting from employment promotion measures. Paid for three years - with a declining annual amount (€ 600 per month the first year, 360 € in the second and 240 € in the third) - the granted aid led to suspend the payment of unemployment benefits. While the turnover of the company was subject to taxation, the aid, meanwhile, was not subject to tax. Starting in 2003, the financial aid for the start of activity (*Existenzgründungszuschuss*) has been the main financial instrument for promoting the adoption of auto-entrepreneur status.

Ich-AG was merged in 2006 with the transition allowance (*Überbrückungsgeld*), giving rise to the “Gründungszuschuss” programme (Bouvard *et al.*, 2013: 2; Kramarz *et al.*, 2012: 18). *Gründungszuschuss* was founded as *Ich-AG* on the logic of state subsidy for business creation for recipients of unemployment benefits so they stop their maintenance in the unemployment insurance system. This “basic aid” is a new, larger device (it concerns any independent activity and does not affect only the micro-enterprises) which incorporates the layouts of the measures introduced in 2006; it groups the transition allowance (*Überbrückungsgeld*) and the start-up grant (*Existenzgründungszuschuss*) into a single financial instrument. Are eligible jobseekers who receive unemployment insurance benefits (*Arbeitslosengeld I*) and who have the personal and professional skills required to create a company whose business is economically relevant. The aid is exempt from tax and is not subject to progressive tax rates.

In France, the aids for business creation and company takeover mainly consist in “ACCRE” (*Aide aux chômeurs créateurs ou repreneurs d’entreprise*) and the “ARCE” (*Aide à la reprise ou à la création d’entreprise*). The ACCRE is an incentive to business creation oriented towards the unemployed and the social assistance recipients. The aid is paid to people who create or take over a business or who want to exercise a self-employed profession other than they already have. It consists in a partial exemption from social security

contributions and it exempts from the payment of many social contributions for a period of one year (family allowances, sickness, disability, old age ...). Similarly, it allows certain categories to receive other aids or to continue to receive their social benefits during the first months of their business (it is the case of the recipients of the RSA and of ASS).

The ARCE is a financial aid paid by the job center for the unemployed who benefit from the “ARE” (*Allocation d’aide au retour à l’emploi*⁵) and who have previously received the ACCRE. This financial assistance is paid in two parts: 50% at the date of commencement of the activity and the remaining 50% within six months); it corresponds to 45% of unemployment benefits remaining due on the date of creation or takeover of the company. If the choice of ARCE leads to no longer receive benefits (the aid cannot be combined with the maintenance of the ARE provided in case of recovery of an occasional or reduced activity), the beneficiaries may, however, recover the remainder of their rights when their company had to close.

2. ...combined with transitory incentives to return to work

Transitory incentives to work are defined as the set of measures to encourage a recipient to behave in a certain way in exchange for temporary financial benefits granted to him. These transitory incentives take the form of the mechanism of tax credit and the one of the reduction in the marginal tax rate (MTR) associated with the possibility of accumulating benefits and earned income.

⁵ ARE is, in France, the unemployment insurance benefits, that is to say the jobseeker’s allowance.

2.1. The mechanism of tax credit

Inspired from experiences abroad (“Working Tax Credit” in the United Kingdom, “Earned Income Tax Credit” in the United States ...), the “PPE” (*Prime pour l’emploi*) is a tax credit that has been introduced in France in 2001. The PPE is paid, for the year n , to households whose income tax reference and earned incomes of year $n-1$ do not exceed certain amounts and whose one of the members at least has a job, paid or unpaid, full-time or part-time. Some 6 million low-income households currently benefit from this tax credit. The PPE is a tax credit in the sense that the amount is automatically deducted from the income tax of the household (for taxable persons) or is paid directly by the Treasury (for non-taxable persons and for taxable persons whose amount of household tax income is below the PPE).

The work incentive is not so much in encouraging return to work but more in the financial support to take low-paid jobs. If payment of the bonus is not a tax measure itself, the device is nevertheless based on a tax mechanism in the sense that the income paid replaces the tax that could (and sometimes should) be paid. In this way, the individual of the household who benefits of the PPE is encouraged to remain in the labour market: the payment of the annual bonus or the deduction of income tax leads to accept a low-paid job. Such a device aims to discourage low-paid workers from leaving their job and switch into the welfare system. That measure does not exist in Germany for the moment and it is strongly questioned in France.

2.2. Reduction in the marginal tax rate and mechanism of “labour income plus social allowances”

Another embodiment of the incentive to work is to establish mechanisms of accumulating benefits with income from work playing on reducing the marginal tax rate (MTR). This type

of measurement provides welfare recipients the opportunity to retain a portion (or all) of the professional income they earn with the transfer incomes they receive. Both Germany and France have developed such mechanisms of reducing the MTR to incent to work or to avoid discouraging the return to work.

In France, this is the case, for example, with the introduction in 2009 of the RSA and, more specifically, with the formula of “RSA activity”. Next to the “RSA base”, which corresponds to a guaranteed minimum income paid to households with no resource, was established the “RSA activity”, which aims at encouraging activity by introducing mechanisms complement to labour income. When the household in which the recipient of the RSA has income from activity, the RSA provides additional resources if the earned income of the household is below a guaranteed minimum which takes into account the amount of wages collected and household composition. With the formula of “RSA activity”, the RSA amount paid to the beneficiary corresponds to the difference between the guaranteed minimum and the professional incomes of the household. This amount is equal to 62% of the earned income of the household, plus the amount of RSA base corresponding to the composition of the household: to every euro of income earned from activity, only 38 cents are suppressed, which allows the recipient to maintain 62 cents of earned income (excluding housing allowance possibly perceived) in addition to the base allowance.

Other features were introduced in France as the “supplement to ARE” in the unemployment insurance system and the “incentive to return to work” in the unemployment assistance system. The jobseekers registered at the job center, who receive unemployment benefits from the *Assedic* (ARE), have the possibility to maintain their earned income with a part of their unemployment insurance allowance when they return to work. This supplement is added to the gross monthly income activity and corresponds to the difference between the original amount of the ARE and the amount deducted (this one is equal the number of days of

unemployment benefits non-compensated in case of return to work). This layout applies for a period of fifteen consecutive or not months, which corresponds to fifteen continuous monthly payments of “supplement to ARE” (or discontinuous in the case of irregular activities). The same logic is at work in the unemployment assistance system through the device of the incentive to return to work for the beneficiaries of the ASS. Job seekers who perceive the ASS may combine their unemployment benefits with earned income if they fulfill certain conditions. This device of cumulating labour income with a part of the allowance is valid until the end of the unemployment assistance rights and within 12 months from the beginning of the professional activity.

Germany has preferred other methods of accumulation of a portion of earned income with social allowances. The financial incentive to take paid employment has indeed taken the form, inter alia, of reductions in social contributions employees focusing on atypical employment measures. This is the case of “mini-jobs” and “midi-jobs”: the first ones enjoy full exemption from payroll taxes, while the latter are partially exempt (although rates rise gradually to limit the effects of threshold). The *mini-jobs* were born in the late 1990s, and then were reformed with the law Hartz II which entered into force on 1 April 2003. They are forms of precarious employment, with low wages (maximum € 450 per month since 2013) or with very short-term (2 months or up to 50 days per year, without income limit), which complete a regular job or social incomes (including unemployment benefits). Present in all sectors of the economy (profit and non-profit sector), they allow to accumulate, without limitation of weekly work duration (the limit of 15 hours per week has been missing since 2003), several work contracts under different statutes; and their fundamental objective is to increase the incentive to return to work of the persons with low-paid (Conseil Central de l'Économie, 2013). All those who have a mini-job (the unemployed and the inactive people without income and also the

employed who have a main job but wish earn more money) are not subject to the payment of social security contributions nor to the payment of taxes (Lestrade, 2004).

Both in Germany and in France, part of the allocations is thus combined with labour income. For example, in Germany, the first hundred euros from activity can be fully cumulated with welfare benefits (20% up to 800 € and 10% up to € 1,200). Similarly, in France, income from paid work is fully cumulated with the RSA during the first three months and after it is possible to cumulate 62% of this allocation with income from employment (Boget, 2013: 114-115).

3. The ambiguous effects of financial incentives on the return to work of the unemployed

Evaluations conducted in France and Germany show that the effects of incentives to return to work are difficult to grasp. Permanent and transitory incentives indeed have a limited impact on the reintegration of the unemployed into the labour market.

3.1. The uncertain assessment of the transitory incentives to work

If it is difficult to properly assess the real effects of the PPE on the return to work, it should be noted that about half of the outputs of the measure is related to an improvement of the financial situation of the household concerned (Duval, 2009). The low incentive of the PPE - already mentioned in the year of its implementation in 2001 - made that this tax credit does not have a significant effect on employment, due to the low amount of the bonus and due to the long time passed between the reintegration into the labour market and the payment of this bonus (Cochard *et al.*, 2008). The increase of the household incomes is not necessarily the sign of getting a gainful job. It may indeed be due to the increase of the total amount of the

household incomes, which suppresses the perception of the bonus but does not mean a return to work of the recipient.

The evaluations show that the RSA has overall positive effects on employment. It induces an increase in the level of employment and of participation in the labour market, mainly by increasing part-time work (Mikol & Rémy, 2009). It also significantly improves the standard of living of poors and it provides support to people that work part-time or that have not worked full year (Bonnefoy, Buffeteau & Cazenave, 2009). The “RSA activité” has a real financial interest as it offers a monetary gain which increases sharply, especially for part-time jobs. Even if it is financially less advantageous in the short term than the “RMI” (*Revenu minimum d’insertion*⁶), the RSA becomes more interesting in the long-term for the recipients who find an employment paid at the minimum wage: the higher income over a longer term procured by the RSA compared to those obtained with the RMI explains that the introduction of this “new formula” of minimum income has led to higher rates of return to work of its beneficiaries (Simonnet, 2012). The RSA makes the return to work relatively more profitable than the RMI, including taking into account the incentive mechanism of the RMI (Anne & L’Horty, 2009). The positive effects of the RSA must however be discussed: although it has a significant impact on poverty of single-parent who work and of single-earner couples with children, it still does not allow a significant proportion of workers to go out of poverty. The French “Cour des Comptes” is also quite skeptical about the positive effects of the “RSA activité”. For its part, it considers that this allowance has a limited work incentive, that it has a low impact on the standard of living and poverty, that the financial gains to reintegrate the labour market are uncertain and, most of all, that monetary considerations are anyway not the only obstacle to return to work (Cour des Comptes, 2013). Finally, the rate of return to work is highly dependent on the family situation: it is higher for women, who are more sensitive to

⁶ The RMI is the former guaranteed minimum income which has been introduced in 1988 in France and which has been replaced by the RSA in 2009.

financial incentives than men, especially when they have dependent children (Danzin, Simonnet & Trancart, 2012: 113). In other words, the MTR of 38% applied in the “RSA activité” does not call into question the logic of the return to work of people with low incomes, those whose income for paid work is near the minimum wage.

Regarding the ACCRE, the business creators who have spent less than a year unemployed before receiving this aid do not have a significant exit rate from the unemployment compensation system; and this result can be explained by the significant role played by the selection of the unemployed who can get this help among those considered most likely to carry out such a project (Cabannes & Fougère, 2012).

The device of “supplement of ARE” is in the logic of “reduced activities” system, which involves a large number of recipients of the ARE (about 40% of them have a “reduced activity” each month). Well, the “reduced activities” system has positive effects on employment, especially in the objective and subjective dimension of the quality of the job occupied by those who have left the list of the job seekers. Objectively, most of the jobs found are full-time and the proportion of work contracts for one year or more is relatively high; subjectively, the recipients have predominantly positive perception of the impact of this device (personal interest in the job occupied, in the economic sector or in the business; employment seen as a means to acquire or develop professional experience and skills, but also as a way to stay close to the labour market and as a potential springboard to a permanent work contract) (Blouard *et al.*, 2012). From this point of view, the “supplement to ARE” would be an effective instrument to return into the labour market. However, these findings should be compared with the fact that the reduced activity is usually taken by default by beneficiaries of the unemployment insurance system and that they often have no choice but to accept a part-time job or a temporary job (Blouard *et al.*, 2012). In addition, the expansion of the reduced activity (+ 34% between 2008 and 2011) is related to the increase in short-term contracts and

to the use of part-time, which affects mainly the elderly and women (Blouard, Costanzo & Mühl, 2013). It is necessary to be careful about the lack of work incentives that can be generated by this type of device: make a short-term temporary job or get a fixed-term contract, even poorly paid, makes it possible to extend the term of the unemployment compensation.

The incentive mechanisms are poorly known from welfare recipients, so their behaviour for searching a job and for returning to work are not influenced by financial considerations (Deroyon *et al.*, 2009). These behaviours are not based solely on monetary motivations: non-financial barriers to return to work (childcare, health problems ...) lead to focus on non-monetary determinants of default of searching an employment or of refusal of a job offer; they thus relativize the role of financial incentives among the factors explaining the reintegration on the labour market (Deroyon *et al.*, 2009). Finally, it is possible that the financial situation of the unemployed is not improved with the obtaining of a remunerated activity, especially when he remains beneficiary of a social minimum (Deroyon *et al.*, 2009).

The *mini-jobs* have contributed to more than half of total employment created between 2002 and 2011: 2 percentage points of the 3.8% growth of the total paid employment are indeed due to the introduction of this device (Conseil Central de l'Économie, 2013). However, the “success” of the *mini-jobs* is relative because the *mini-jobbers* who have benefited most from the effects of the device are inactive people (pupils, students, pensioners) which are not considered as unemployed (Lestrade, 2004). Moreover, the *mini-jobs* explain only marginally the increase of the total employment in Germany (Bouvard *et al.*, 2013: 3). Although wage flexibility related to mini-jobs was facilitated by the absence of a statutory minimum wage – and this default is not compensated by the existence of conventional minima non-binding - the entry into force of a minimum wage in Germany from 1 January 2015 will not fundamentally change the situation. Adopted by the German Council of Ministers on 2 April 2014, the draft

law on the establishment of a national minimum wage (set at a minimum hourly rate of € 8.5 gross) does not concern all unemployed: the long-term unemployed who receive unemployment benefits will be paid, for a period of six months after being hired, at a level below the legal minimum.

3.2. The relative impact of permanent incentives to return to work

While the “*Ein-Euro-Job*” led to create over 95,000 jobs since 2004, their impact on the labour market remains rather disappointing (Bouvard *et al.*, 2013). They have made it possible to increase employment only by 0.3%, thus contributing only to 5.4% of the total growth in employment (Conseil Central de l'Économie, 2013). If they can improve the performance in terms of employment, the “one euro jobs” however lead their participants to have worse perspectives than the recipients engaged in traditional measures of job creation and work opportunities (Hohmeyer & Wolff, 2010). Thus, beyond their positive impact on the subsequent performance in the labour market, the “*Ein-Euro-Job*” appear rather ineffective in terms of re-employment of the beneficiaries, except for certain subgroups (Huber *and al.*, 2011). Beyond the heterogeneity caused by the duration of the activity and by the number of weekly hours worked, this type of job has generally moderate effects on employment (Hohmeyer, 2011). The effects of *Einstiegsgeld* remain, for their part, difficult to assess because few evaluations have been conducted on this subject. Nevertheless, some studies indicate that the participation in the labour market has increased for the recipients of the *Arbeitslosengeld II* who were entitled to this monthly bonus. Its payment for supporting business creation has led, two years after the program began, to increase from 11% to 16% the probability of not receiving *Arbeitslosengeld II* and to increase 20% the probability of not being registered as unemployed or jobseeker (Wolff & Nivorozhkin, 2008: 19).

Concerning aids and bonuses to business creation, it should be noted that *Ich-AG* has created jobs, from the first year of its entry into force. According to the German Agency for Employment, that measure has indeed benefited to nearly 41,000 people in 2003 and up to more than 233,000 in 2005 (Koléda & Brun-Schammé, 2010: 34). There is a very positive effect in the long-term of *Ich-AG* and of the “transition allowance” (*Überbrückungsgeld*) on the persons who have benefited of one of these two devices: The participants to the programmes have 15.6% chance of more than the non-participants to not be registered again unemployed 56 months after the start of their return to work and their probability to get a job (with positive effects in terms of income) is higher by 22.1 percentage points than the non-participants (Caliendo & Künn, 2011). For their part, aids to business creation (*Gründungszuschüsse*) have exerted a significant effect on the output of the allowance system (Bouvard *et al.*, 2013: 5). The financial aids for self-employment have in fact lowered the number of jobless claims in Germany (Lequillerier, 2013).

As regards France, the ARCE has also broadly positive impacts. Paid at 76,500 job seekers in 2011, the ARCE is a financial assistance which, in three cases out of four, is essential for the unemployed who want to start their business and whose amount is, for two recipients out of three, sufficient to cover the first financing needs of their project (Costanzo *et al.*, 2014). If more than one in four unemployed that create a company has faced financial problems which forced him to stop his activities, they are still nearly three out of four to pursue their activity two years after their business creation or business takeover; and among those who had to stop their activity, less than one out of eight is again looking for a job (Costanzo *et al.*, 2014). If this aid is participating in returning to work, it also helps to create employment: 1.9 jobs is created in addition to the job held by the entrepreneur former unemployed.

Established to facilitate access to employment for RSA beneficiaries by paying the costs of returning to professional activity, the APRE appears, for its part, as a “useful” assistance to

cover expenses related to their reintegration into the labour market (mobility, child care, environment and professional equipment ...) and to meet the needs not covered by other measures. Received by more than 5% of recipients of the RSA, this financial aid seems to lead, according to the few assessments made in France about its impact, to a professional activity rate greater than the average (Agence Nouvelle des Solidarités Actives, 2013). However, it is criticized by professional actors of the insertion. They consider this aid as insufficient in two respects: firstly, the duration of the payment is too short (the APRE cannot be mobilized during more than six months after the return to work); secondly, it is too focused on the timing of the return to work (which may lead to the exclusion of RSA beneficiaries at other stages of their integration process) (Agence Nouvelle des Solidarités Actives, 2013).

Conclusion

The financial measures for the jobseekers have more and more resulted, in Germany and France, in the implementation of financial incentive schemes to return to work. These two countries have tightened the access conditions to unemployment benefits and have reduced the replacement rate as well as they have increased the flexibility of the labour market (Koléda & Brun-Schammé, 2010). But both also have used incentive instruments in order to promote the reintegration of the unemployed into the labour market. If financial incentives can have positive effects on employment, they are not sufficient to significantly increase the rate of return to work. Oriented on the individuals the most distant from the labour market, they contribute to the development of low-wage jobs and cannot always get people out of poverty.

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Adverse Childhood Experiences and Their Impact on Neurological Functioning in the
Context of Traumatic Toxic Stress

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Abstract

Adverse Childhood Experiences (ACEs) and childhood trauma are related to short- and long-term unhealthy social and behavioral adaptations and negative physical and mental health consequences for children, adolescents and specifically for adults. Studies of the last three decades on ACEs and traumatic stress have emphasized their impact on multiple domains of human existence consisting of: Social adjustment, behavioral adaptation, mental health, physical health, mortality and morbidity, health care costs to society, poor educational outcomes, subsequent reduced productivity while drawing excessive resources from the society, increased crime and legal problems, among other. Available data is impressive in stressing the need and the importance of preventing and addressing trauma across all service systems utilizing universal systemic approaches. However, at a global scale, all systems of care are organized via “crisis response” paradigm rather than with a long term preventive care focus. As a result, only symptomatic care is provided to those who need care at all domains of systems of care allowing underlying issues to be transferred in an intergenerational manner afflicting mankind generation after generation, sucking unreasonable amounts of resources. During the last decade, trauma informed care (TIC) has been identified as a tool to uncover and address both crisis issues that bring clients to any system of care and the underlying issues that necessitate the service in the first place. In implementing TIC institutions must survey their organizational structure first and foremost to make sure that the institutional environment is safe both for providers and clients. Secondly, communities must develop interagency collaboration so that both TIC is implemented in all relevant agencies and the needed

services in the community are made available. Current developments on the implementation of TIC in a variety of service systems call for the surveillance of trauma, resiliency, functional capacity and health impact of ACEs. When, clients are children under 18 years of age, it is important such surveillance to include the child's immediate caretakers, known as two-generational TIC approach. Many such efforts have been implemented in mental health agencies. However, other medical agencies, educational facilities, day care services, legal services, social services are among the agencies that must implement TIC as well so that the root causes of all social, behavioral, legal, educational, medical, and mental health issues can be unearthed as early as possible to address them with a new paradigm. Early identification of childhood trauma in children unfortunately has just recently gained some momentum in the USA, which still remains a significant public health need. The panelists on this presentation will review childhood adversity and traumatic toxic stress, present epidemiologic data on the prevalence of ACEs and their social, behavioral, legal, educational, financial, physical and mental health impacts, and discuss intervention modalities for prevention taking into account the crisis in Greece and how this might have affected children and adults alike in the country.

Introduction

Pediatric medicine has continually placed a great deal of significance on the environmental contexts in which a child's development occurs. As we continue to gain a better understanding of the biological functions that are affected by compounding environmental factors, it will help providers intervene in a meaningful way to prevent negative impacts as well as effectively treat the consequences. It is known that a multitude of environmental factors impact health in various ways. This paper focuses specifically on how adverse childhood experiences (ACEs) affect health by way of transforming the stress response systems. Chronic adversity leads to Traumatic Toxic Stress (TTS) and converts physiologic stress response systems to a reactionary "always-on" mode. We will summarize the current understanding of how TTS impacts the development of the neuroendocrine and immune systems, how these biological changes affect the medical and mental health trajectory, and what healthcare providers can do to help in the context of ecobiodevelopmental model for health services.

Ecobiodevelopmental Model of Health

Genetics (biology) and its interplay with early childhood experiences (ecology) have significant impacts on development. Advances in the understanding of this concept have led to the development of the ecobiodevelopmental (EBD) model of health and disease (Figure 1). This framework emphasizes the importance of moving into a model of preventative health care in Pediatric medicine by stepping down from the clinical model in which we exclusively solve acute problems and handle crisis situations. [1]

Adversity that occurs in childhood is especially detrimental to long-term health, and it comes in many forms. [2]. The ACEs study by Felitti et al in collaboration with the Center for Disease Control reported on the most common ACEs encountered in the US. These include child abuse (emotional, physical, or sexual), child neglect (emotional or physical), and household dysfunction (mother treated violently, household substance abuse, household mental illness, parental absence, or criminal activity in the family)[3, 4]. Other forms of potential adversity that have been described in the literature include parental death or loss of a loved one, serious accidents, life-threatening childhood illness or injury, natural disaster, extreme family economic adversity, sudden and frequent moves from home, pornography exposure or participation, prostitution, bullying, school violence, community violence, kidnapping, torture, war, refugee camps, and terrorism [3-8].

Using the EBD approach to ACEs we reveal how such adverse events may destabilize connections in the brain and lead to the adoption of unhealthy coping skills in order to survive the effects of trauma. The downstream effects of these maladaptive coping skills are manifested later in life in decreased self-esteem/self perception, unhealthy lifestyle behaviors, poor social networks, and high-risk health behaviors. Given the negative physical and mental health consequences of ACEs, it should not be surprising that people who reported more ACEs were more likely to report poor or fair health [9-11], poor access to medical and mental health services [4,11,12], less satisfaction with their lives

[13], and higher unemployment rates than people who had fewer ACEs. In addition, people with six or more ACEs tended to die 20 years earlier than people with no ACEs [4,14,15].

The EBD model also emphasizes the importance of protective effects that are fostered by healthy relationships in a child's life. These relationships can counter adversity and produce resiliency that may disrupt the negative remodeling that occurs as a result of TTS. Thus, healthy relationships can be protective against the downstream effects of adversity [2].

Traumatic Toxic Stress and its Deviation from the Physiologic Stress Responses

The human body has assigned two principle systems to be responsible for the stress response: the sympathetic nervous system, and the hypothalamic-pituitary-adrenal (HPA) axis [16]. The sympathetic nervous system is the network that responds to acutely stressful insults while the HPA axis is involved when the body is undergoing more chronic stress, hence HPA's significant role in TTS. Figure 2 shows that the involvement of the HPA axis begins in the hypothalamus by the release of corticotropin releasing hormone in response to a stressor. Corticotropin releasing hormone acts by promoting the release of adrenocorticotrophic releasing hormone from the anterior pituitary [16]. Adrenocorticotrophic releasing hormone then stimulates the release of hormones from the adrenal cortex that act throughout the body promoting the physiologic stress response: cortisol, norepinephrine, and epinephrine [17]. These hormones trigger a host of responses that prepare the body for the impending insult, for example: the cardiovascular system increases blood pressure and heart rate, the respiratory system dilates the bronchioles, and the liver increases gluconeogenesis and glucose production to provide fuel to the muscles [18]. Anti-inflammatory cytokines and the parasympathetic nervous system are charged with the task of keeping the stress response under control and allowing the body to return to baseline once the insult is eliminated [18]. Maintaining this homeostasis is crucial to conserving these responses within constructive boundaries and allowing the body to recover. In a system that has been chronically over activated, as in the pathophysiology of TTS, the individual will rarely have enough recovery time for de-escalation of these responses.

The HPA axis is regulated by structures of the brain that are high in glucocorticoid receptors: the amygdala, the prefrontal cortex, and the hippocampus. The hippocampus' effect is primarily inhibitory, with a network of interneurons that connect to the paraventricular nucleus of the hypothalamus. The hippocampus is also able to gauge the intensity of a stressful signal [19]. Like the hippocampus, the medial prefrontal cortex also inhibits the stress response through the periventricular nucleus of the hypothalamus. When these areas of the brain are overused, ACTH and glucocorticoid responses to stress are enhanced [19]. These brain regions are in contrast to the amygdala, which potentiates the HPA axis. All three brain regions have been shown to be stressor specific [19].

While temporary activation of the stress response is protective and necessary for survival, chronic overactivation of the system may cause the system to work against the best

interest of the individual. In the context of TTS, the HPA axis is chronically overactivated leading to the production of an excess of cortisol both in the body and the brain. Without healthy and stable relationships, which provide protection from the incessant stimulation of the response system, the increase in brain cortisol leads to the remodeling of these specific brain structures [16]. The chronic stimulation of the HPA axis may eventually lead to long term desensitization. Thus in the short term, there will be an excess of blood cortisol, while in the long term a relative lack of cortisol.

Research has demonstrated strong correlations between irregular cortisol levels and multiple pathologies. For example, subjects in animal studies with pituitary dysfunction or chronic stress leading to a poorly responsive HPA axis are at higher risk for autoimmune diseases including systemic lupus erythematosus, rheumatoid arthritis, and Sjogren's syndrome among others [20]. Correlations between susceptibility to viral infection, prolonged wound healing, and chronic fatigue syndrome have been linked to chronic high levels of cortisol as well [20].

Traumatic Toxic Stress Remodels the Brain

Perhaps the most striking feature of TTS is that it has been shown to lead to permanent alterations in brain architecture by inducing epigenetic changes via DNA methylation, histone acetylation, and telomeric changes [21,22,23]. Adverse childhood experiences leading to TTS are able to influence the genetic makeup of the child via the chronic elevation of stress hormones, namely glucocorticoids in the brain tissue. Telomeres, the DNA sequences at the end of chromosomes are specifically involved in chromosomal stability. They shorten with each cell division until they reach a certain length, at which point the cell undergoes apoptosis. The shortening of telomeres, a marker of cellular aging, has been correlated to many disease processes including cardiovascular disease, diabetes, cancer, and major depressive disorder. Exposures to cytotoxins are known to have an effect on telomere length, however recent research has demonstrated that psychosocial stressors have an effect as well [23]. Tyrka et al. published the first study that linked early life adversity with a reduced telomere length. The study reported a significant reduction in the length of telomeres between subjects that reported childhood adversity as compared to subjects that denied childhood adversity [24]. Many other studies have since confirmed these findings, which are also found to be dose dependent that support an association between early-life stressors and shortened telomere lengths. [25]

Young brains and the genes that are responsible for the regulation of the stress response systems are especially sensitive to these epigenetic modifications, which may lead to long-term alterations in physiology and behavior [22]. As such, the regions in the brain that are most prominently affected by the mediators via epigenetic modifications are the same regions of the brain that impact the regulation of the HPA axis: the hippocampus, the prefrontal cortex, and the amygdala [26].

The hippocampus functions by undergoing proliferation throughout childhood and even into adulthood, forming new memories and providing the ability to learn. In animal models exposed to TTS, this neuronal proliferation is suppressed and leads to significant

long-term impairment in the hippocampal functions of learning and memory formation [27,28]. The prefrontal cortex, the part of the brain involved in impulse control and planning, is underdeveloped with fewer neuronal connections when developed in the context of TTS. In the amygdala, which is the brain region responsible for emotional and impulsive behaviors, several studies have demonstrated growth and proliferation of the dendrites. These alterations increase impulsive behavior and decrease planned behaviors and impulse control [26,27]. These brain adaptations can ultimately alter how a person responds to stressful and even non-stressful insults by falsely activating the system to respond as if the insult were life threatening [21].

Chugani et al demonstrate these findings in a neuroimaging study of Romanian orphans. The group used statistical parametric mapping which analyzes the pattern of brain glucose metabolism. These scans compare the brains of post-institutionalized Romanian children that had undergone early global deprivation to control groups that had not experienced significant childhood deprivation. The study showed evidence of reduced glucose metabolism in limbic regions including the hippocampus and amygdala as well as the prefrontal cortex along with many other brain regions. These results are illustrated in figure 3 [29].

A more recent study conducted by Mehta et al investigated children from a similar demographic, who had spent early years of life living in Romanian institutions and had been later adopted into families living in the UK. This study however, analyzed volumetric changes in brain structures by structural MRI, paying close attention to the brain regions previously evidenced to have sensitivity to early stressful experiences. Mehta et al describe significant differences in regional sizes of the brain between institutionalized children as compared to control groups as well. The relative amygdala volumes were increased in children who had experienced deprivation. This study was not able to identify a significant change in hippocampal volumes [30]. These studies report some contradictory findings which are most likely due to limitations in methodology, however they indicate one important point: childhood adversity and deprivation do have measurable and significant changes in the brain structure and function.

The individuals at risk for the effects of TTS may first develop maladaptive coping skills such as overeating, cigarette smoking, substance abuse, unsafe sexual behaviors, and resolving conflicts via violence. These coping skills lead to what is called the “trauma organized” lifestyle [31]. These behaviors may predispose the individual to both mental and physical illness throughout their lives [32]. Thus, it is important to consider that the changes in the brain architecture as a result of TTS are a piece of a much bigger puzzle. Increased risk for the development of diseases such as liver cirrhosis, cardiovascular and pulmonary diseases, mental health problems including depression and suicidal behavior have all been linked to TTS by multiple studies [2,21,22,27,32]. The neuronal changes in the context of TTS, the “trauma organized lifestyle”, and limitations in access to healthcare are all important mechanisms that fit together and greatly impact human morbidity and mortality [27].

Preventing ACE’s and Treating Traumatic Toxic Stress

The primary goal in the prevention of TTS is the reduction of exposures to risk factors including childhood abuse, neglect, household dysfunction, and global conflict as listed above. To effectively identify and address the conditions that predispose an individual to TTS, clinicians should understand these risk factors and their presentations and ask good questions to obtain a clear understanding of their patients' environments. In addition, optimal medical practice should also include educating parents on these risk factors and their potential health consequences.

Trauma Informed Care (TIC) is one of the most thorough approaches that are designed to respond to ACEs. Systems that serve children and their families, including the fields of education, healthcare, social welfare, and justice are often unaware of previous traumatic experiences of the clients they serve. This lack of awareness limits providers' understanding of the context of problems that bring the clients to the particular service system. Without this empowering tool, the very providers may fail to recognize the root of the problems that they are trying to manage/eliminate. As a result, failure to provide the proper treatment and referrals may lead to re-traumatization [33,34,35]. Trauma Informed Care involves implementation of systems that both recognize and validate traumatic events and offers coping strategies and treatment options. Transforming organizations that serve communities into trauma-informed systems requires huge organizational strides by implementation of policies and protocols that assure that TIC is enacted and enforced [35].

The very early phase of such implementation should involve setting policies that require staff to undergo training to understand ACEs and their impacts on physical and mental health. Another important component of TIC is the implementation of screening methods to identify children who have experienced adversity in order to provide appropriate service and resources [35]. Screening for traumatic experiences should be coupled with the screening for protective factors such as resiliency, family functional capacity, and previous interventions. Implementation of these screening measures will result in a comprehensive understanding of a family's risk factors as well as their capacity for resilience and provide opportunities for both prevention and treatment to those that need them.

Many of the evidence based interventions focus on reducing the risk factors of TTS by training either birth or adoptive caregivers in methods for successful behavioral management. Other interventions have focused on strengthening the relationship between caregiver and child by helping parents to more effectively respond to their child's needs. There is evidence that both of these techniques have positive effects in altering the stress response system [36].

There are some obvious limitations to objectively measuring an endpoint for the effectiveness of these methods. Due to the dysregulation of the HPA axis as described above, cortisol levels have been proposed as this marker. Slopen et al published a systematic review of the evidence on the effectiveness of interventions on altering the cortisol regulation dysfunction of TTS [37]. They identified nineteen articles in their study, and eighteen of the nineteen articles had reported at least one difference in baseline

cortisol, diurnal cortisol, or cortisol responsivity between intervention and control participants. While there was a large amount of heterogeneity between interventions and their relative effect on cortisol levels, the conclusions of this review are important. Proving that the stress response systems are malleable suggests that it is possible to heal the deregulation of these systems even after significant experience with chronic adversity. By intervening, healthcare professionals will be able to promote lifelong improvements on both physical and mental health. Furthermore, the findings of this review underscore the need for designing even more effective strategies to reduce the harmful effects of TTS [37].

Conclusions

The advances that have been made on the understanding of how TTS affects young minds and bodies is summarized by the National Scientific Council on the Developing Child: *“(1) early experiences are built into our bodies; (2) significant adversity can produce physiologic disruptions or biological memories that undermine the development of the body’s stress response systems and affect the developing brain, cardiovascular system, immune system, and metabolic regulatory controls; and (3) these physiologic disruptions can persist far into adulthood and lead to lifelong impairments in both physical and mental health.”*[26]

The pediatric community has a duty to educate the public about TTS, to strive for meaningful interventions for children experiencing adversity, and to advocate for community organization and institutional transformation to implement TIC. Institutional transformation could include providing coordinated trauma specific evidence based services to those that have been affected by TTS [2]. By being informed about the risk factors for TTS and the immense effects that adversity can have on patients’ lifelong health, healthcare providers may play a pivotal role in transforming health care delivery systems. These efforts will not only target the tip of the iceberg but also transform the entire pyramid of adversity and diminish its downstream effects making way for long lasting positive outcomes.

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Figures

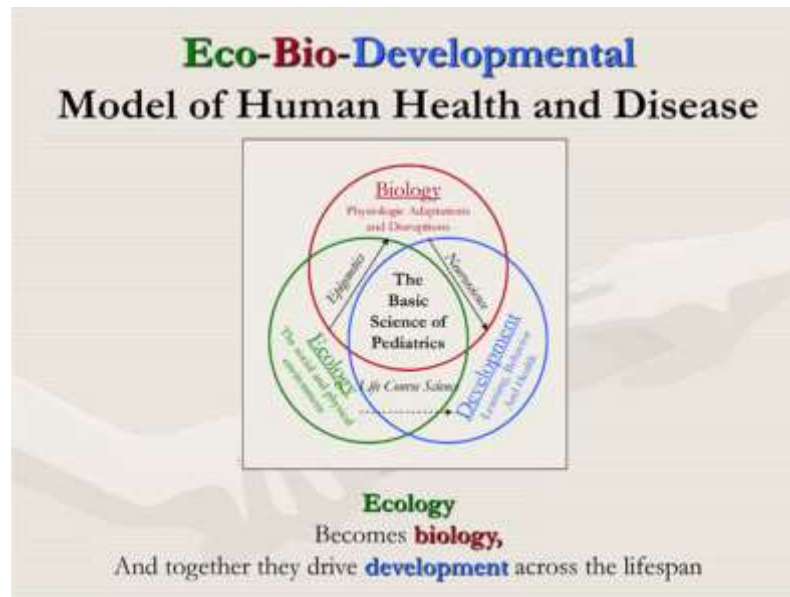


Figure 1: Ecobiodevelopmental model of human health and disease [1]

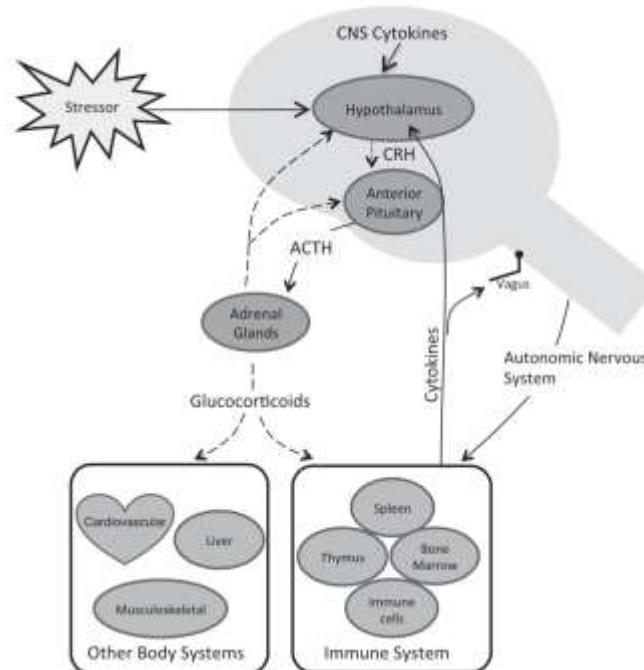


Figure 2. Relationship between the Hypothalamic- Pituitary- Adrenal axis, immune systems, and other body systems [16]

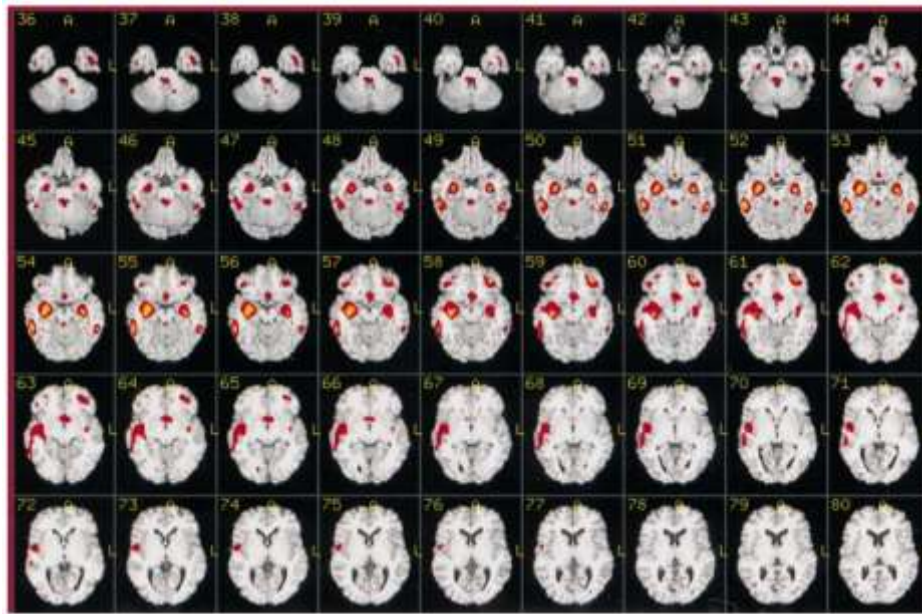


Figure 3. Statistical parametric mapping exhibiting regions with lower glucose metabolism in the Romanian orphan group as compared to an adult control group. The images were superimposed onto a representative MRI scan. Regions highlighted in red and yellow demonstrate areas of the brain that are statistically significantly decreased in glucose metabolism as compared to the control group. The amygdala, hippocampus, and prefrontal cortex are all included in this image. [29]

Social values, transparency and the Greek educational system at the era of the crisis. Attitudes of Greek university students.

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Abstract

For a very long time, the concept and practices of corruption have been dominating the public sphere and debate in Greece. It is even striking that the rhetoric about corruption has been incorporated in the rhetoric about crisis. Thus, in the era of the Greek crisis, corruption seems to occupy a certain role in the social, economic and political life.

The greater emphasis, concerning the international research on corruption, has been placed on its relation to the effectiveness of the public sector, the private sector, the political system, the local governance functions. Only a few relevant surveys are

value-based, i.e. corruption in relation to the moral values present in a given socioeconomic setting up and to the work done by the typical educational system.

Based on the abovementioned assumption, we proceeded in a quantitative research. Specifically, we developed a scale of attitudes, aiming at measuring the attitudes of female and male students at Greek Universities towards corruption and the moral values present at Greek society during the crisis.

The scale consists of three sub-scales. The total internal reliability of the tool was assessed based on Cronbach's alpha at 0.879, while for each sub-scale is bigger than 0.70. The sample consisted of about 400 students from 3 Universities in Greece and the results showed that the majority of the respondents believe that the moral values of Greek society are rather weak, the educational system is crucially responsible for this, while the political system is considered to be highly corrupted.

Key words: corruption, transparency, moral values, students, economic crisis.

1. Introduction

The rhetoric about corruption in Greece is not the result of the economic crisis, as it is broadly proclaimed, but relevant news and discussions, mainly in the media, had always had a fragmented presence. A presence, which for short period created a relevant median, social and political fuss, which in a reasonable period of time started to fade away, until it is totally vanished. And the social and political life started again, as if nothing had happened.

The Greek sovereign debt crisis and the following Memoranda of Economic and Financial Adjustment (accompanied with a variety of multilevel austerity measures), multiplied the social impact at the end of the day. Even now and despite the rescue efforts and the domestic reforms, the situation both in terms of economy and society has not been improved. In fact, the crisis is ongoing and its social impact is undoubtedly tremendous, while the recession in Greece deepens. Greece is the country most heavily affected by the economic crisis, more than any other European one (see Matsagganis 2013: 3).

All the above mentioned along with European reviews and criticism and the ongoing social turbulence brought to surface the issue of corruption and its impact on economic and consequent social collapse. Silence was not an option anymore, even for the ones previously pretending they had not a clue about it. In several cases, issues of corruption, as well as ethics and transparency, over-determined the public sphere. In this precise case, however, the rhetoric about corruption in Greek society has a qualitative and a quantitative feature that differentiates it from its earlier forms. The quantitative characteristic concerns the ones involved in corruption and on the other hand it is becoming apparent that corruption in Greek society has already been spread

more than we thought. According to the International Transparency, in 2015, Greece was the 58th less corrupted (out of 168) country in the world, thus it performs worse than Ghana, Cuba and Malaysia (see <http://www.transparency.org/cpi2015#results-table>). The qualitative characteristic concerns the context where corruption seems to "flourish". The Greek society begins to perceive that corruption has eroded from the daily routine to the high levels of distribution and management of power. If we could provide just one positive element of the economic crisis, that would concern the emergence of the magnitude and pervasiveness of corruption. This could be of vital importance for the society to understand that certain actions should be undertaken against corruption and to back-up anti-corruption initiatives.

Corruption has two main dimensions: there is an active dimension and concerns those actively involved in corruption and thus being (directly or indirectly) illegal or even trampling on important social and moral principles and values. On the other hand, there is the passive dimension, which (in our opinion) is equally important and concerns the issue of tolerance towards corruption. In the second dimension, we should be clear that while it is an absolutely negative element, which even offers a moral alibi for active participants, at the same time, it could also be the main "defense tool" of a society towards the determinants of corruption. The key anti-corruption means is the intolerance of the Society at Large to corruption, namely the ethical principles and civic values themselves that should characterize society and underpin its functions. The absence or obsolescence of moral values, yet in a context of freedom and solidarity, might lead to a great number of social pathology phenomena and, of course, among them the phenomenon of corruption.

Have the social institutions, education, politics, economy, family developed the mechanisms towards enhancing ethics and civic values? Or they are engaged in a

lonely process consolidating bureaucratic/ administrative goals which support their systemic objectives, ignoring their social mission? However, in a society that economy is dominant over any other social institution, anticipated outcomes are limited. At the same time, the (low performing- see European Commission, 2015: 2) Greek educational system has also been engaged in a hunt of cognitive-bureaucratic objectives having (in several cases) disclaimed the substance of its social nature and undermined the broader notion of “paideia/ Bildung”.

2. On corruption

Public sector corruption isn't simply about tax-payer money going missing.

Broken institutions and corrupt officials fuel inequality and exploitation -keeping wealth in the hands of an elite few and trapping many more in poverty

(Transparency International, 2015).

Corruption as a concept and as a practice offers a wide range of approaches, which vary depending on the epistemological dimension we choose to study it, and according to the sphere of social life that seems to affect (Johnston, 1996; Florini, 2002; Stasavage, 2004; Florini, 2007; Relly & Sabharwal, 2009). Thus, talking about corruption and even more reviewing corruption, as a phenomenon of social pathology (fundamental in our case), basically, we study corruption as a social phenomenon which appears and spreads through practices and its consequent results to almost any social institutions.

The UN (UNODC, 2011: 5) mentions that: «*Corruption can take the form of grand corruption or of petty corruption. The former involves high-level officials and has*

ultimately a destructive impact on governance and the rule of law in a country; the latter is defined as the day to day abuse of power that involves lower-level public officials in the performance of their daily duties. Corrupt behavior ranges from active involvement, such as violating duties, accepting or transferring bribes, facilitating transactions, to passive involvement, which can include simply ignoring or failing to follow-up on indicators that corruption may be taking place». Klitgaard (1997) defines corruption as *«a term of many meanings, and indeed the beginning of wisdom on the issue is to subdivide and unpack the vast concept. At the broadest level, corruption is the misuse of office for unofficial ends».* Transparency International (2011) defines corruption for both the private and public sector as *“the abuse of entrusted power for private gain”*.

According to Kyridis et al. (2015), corruption occurs mainly in two different ways in the social, political or economic life of a place (Theobald, 1999, Kunicova, & Rose-Ackerman, 2005). The first way concerns the personal benefit one can gain through the public sector (Caiden & Caiden, 1977), while the second is the consolidation of corruption in society that it becomes the norm rather than the exception (Williams, 1999). Especially, the first way is the one that exploits the structure and functions of the bureaucracy and the tight embrace of politics with the state structures. In this way, the personal benefit from the public sector is gained either with the complicity of bureaucrats, or with the mediation of politicians (Moody-Stuart, 1997; Rose-Ackerman, 1999). On these grounds, according to Papadakis “a code of ethics and the relevant ethics regulations in PA, even important, are not enough to prevent corruption and unethical behavior. Furthermore, more rules do not necessarily increase public trust and prevent violation of ethical rules” (Papadakis, 2015: 511).

It should be noted that the main corruption, as such, is not defined by a certain and indisputable definition, based on a solid epistemological documentation. On the contrary, it is the conceptual rendering of the findings of a wide range of focused or less focused researches on corruption issues (Shleifer & Vishny, 1993; Mocan, 2008; Olken, 2009). Let alone that the complexity of the institutions (in Thompson's terms/ 2007: 22) and even the reality in PA, per se, tend to pose ethical challenges (see Papadakis, 2015: 511).

The work of Mauro (1995) showed how corruption affects economic growth and since then a number of papers trying to show how and whether corruption affects other economic sectors or different areas of social life (Fisman, 2001; Bertrand et al., 2007; Hunt, 2007; Ferraz & Finan, 2008). Additionally, the efforts to corruption measurement focus on two fundamental aspects: on the one hand, it is studied the existence of appropriate institutions, rules and procedures that hinder the corruption phenomena (inputs), while on the other hand, the focus is on the results (in terms of combating corruption) created by the existence of such mechanisms (outputs) (Hyden, 2007). However, there is no (so far) acceptable and perfectly valid way to measure the levels of corruption.

The causes of corruption cannot be determined in a precise way. Anyway, if it was possible to be exactly defined, it would be much easier not only to measure the levels of corruption, but also to combat it more effectively. Usually, the causes are found in the policies pursued by the countries, the bureaucratic structure of public administration, the development of the political system, permissive traditions and social history. Assuming that the basic sociological position is that every society creates, maintains and reproduces the institutions that it really needs, not only to achieve progress and compete at the international level, but additionally to ensure the

reproduction of dominant interests (in terms of interest politics), then we can easily understand why corruption persists and (in some cases) expands. In other words, a society that would like to reduce the phenomenon of corruption could direct its actions as following: on the one hand to reduce "corruption opportunities" through the strengthening of institutional functions, the establishment of rules and relentless repression, on the other hand to change the permissive structures reflecting specific interests and discursive practices, via the education system, the civil society and the political system itself (Persson et al., 1997; Svensson, 2005; Freille et al., 2007; Treisman, 2007; Olken, 2009).

The social meanings of corruption are many and various. However, corruption is synonymous, in one sense, with social inequality, since eventually its results are in favor of those who should not be favored, while some others lose their real possibilities to gain, in a broader sense, something they deserve (Uslaner, 2008). Societies are over-determined by multi-parametric inequalities (see Wilkinson & Pickett, 2009). Within this context where corruption is strengthened, inequalities are multiplied, deepened and strengthened, as well.

3. Social and moral values

“The real political task in a society such as ours is to criticize the workings of
institutions

that appear to be both neutral and independent”

(Michael Foucault, in *The Chomsky/Foucault Debate: On Human Nature*, 2006)

The literature, in general, suggests four actions to address corruption (Klitgaard, 1988; Kotter, 1996; Stapenhurst & Langseth, 1997; Jones, 2004; Quah, 2005): (a) reforms

(b) economic development, (c) a strong civil society with access to information and supervision of the State and (d) strengthening of legislation.

Past practice in many countries has shown that efforts to combat corruption have focused precisely on those points where the most intense symptoms were reported, i.e. in financial transactions mainly with the public sector, the central public administration, local government, police, etc. (indicatively, Doig & Riley, 1998; Jackman & Montinola, 2002; Kidd & Richter, 2003; Andvig, 2006). In fact, it is about responsive actions aiming at dealing with the phenomenon, since it has been already reported and measured or, in any event, determined. These are, therefore, rather suppressive actions focusing on areas of social life and mostly concerning the relations between the state and citizens. Additionally, a series of anti-corruption activities and initiatives are centered/focus on transparency, particularly at the level of politics and public administration (Rose-Ackerman, 2006).

Nevertheless, in many cases the emphasis is not given on projects that primarily focus on combating corruption in the social basis, i.e. by embedding attitudes and values to younger people in society, people that in a few years will be required to govern, to do business with the public administration, to participate in the political arena and in any case to manage the social daily routine educating and socializing their successors. Thus, Politics should act to avert and suppress corruption phenomena. And the most important step to be done is to nurture to the new and succeeding generations' attitudes, perceptions and beliefs (Greenwald et al., 1964; Fishbein & Ajzen, 1975; Higgins & Sorrentino, 1990; Petty & Krosnick, 1995; Petty et al., 2009) that would prevent the occurrence of the phenomenon in any facet of social life. Furthermore, surveys have documented that, when attitudes change, they tend to get strengthened, according to the Dual Process theories of persuasion (Kruglanski & Thompson, 1999;

Wilson et al., 2000; Rydell & McConnell, 2006) or according to the Meta-Cognitive Model (MCM) (Gilbert et al., 1993) (see Kyridis et al. 2015).

In other words, the nurturing of basic social and moral values is of vital importance, thus it should be developed in the entire range of social life and especially through organized or less organized structures in every social institution. The task of increasing public trust and preventing violation of ethical rules requires “mainstreaming of the value- judged rules and mainly the development of a “collective ethos” in favor of the ethical behavior, that can be easily individualized” (Papadakis, 2015: 512). Obviously, in any social formation a broad spectrum of social values is present, which is defined as social morality that is, at some extent, driven and controlled by the dominant ideology. And in this sense, the system of social values does not entirely reflects the broad social body, but it is also extremely difficult to change. Of course, we should note that social values in any society derive and feed back their moral status by the moral values that usually originate from religious institutions, while the grid of social and moral values is shielded and protected through their the ideological mechanisms of the state (see Althousser, 1999).

Dönmez & Cömert (2007) believe that social value is a force that shapes human behavior according to options that may exist under which each behavior is judged. For Güngör (1993: 18) if something is [socially] desired or not consists the notion of [social] value.

According to Chiang Wai Fong (2013: 1), social values and norms serve several functions in the society:

1. They provide a guideline for expected modes of social behavior
2. They hold the society together by providing some form of stability and uniformity

3. They create a sense of belonging and bonding with members of the social group and promote cohesiveness
4. They facilitate legal rules making and maintain social order.

Accordingly, it is easy to understand that social values are the key regulators of human behavior in a society and at the same time they regulate the structures, functions, social hierarchy, the productive relations and of course the reproduction processes of the social system itself. However, it is exactly the same social system, that created and consolidated the social and moral values, coming to quest them when it feels that the interests of the dominant interest groups are not effectively served or when it is deregulated through endogenous or exogenous factors. In other words, facets of corruption could be the means of violating social and moral values that the social system itself deploys when it is deregulated or perceives that the dominant interests are not well served. At the same time, it is the main mechanism for gaining clientele.

We should note, however, that the social and moral values inherent in a society, even when they are dominant ideologies, they do not lose their importance as mechanisms to protect society and as tools to safeguard social cohesion. In this context, we should mention that social, economic and political practices historically tend to either justify regimes of truth or even get de-moralized in the name of sovereign imperatives that are essentially designed to achieve specific goals and less on the moral strengthening of the social web (see Foucault, 2001; Foucault, 2002: 39). On these grounds, social values with universal targeting should be cultivated, aiming at shielding the communicants and the formations that they shape against corruption and moral collapse, through the entire grid of socialization processes placing greater emphasis on mass institutions, such as education.

The massiveness of the educational system and the educational tools available may be the basic set of actions to foster attitudes and beliefs that could discredit the corruption in the eyes of the new generations in order to eliminate it, both as a practice per se and as a negative social practice and value. However, the educational system is made to create collegialities through "suppressive" actions and practices primarily attributed in the range of assessment and school competition (see Bourdieu & Passeron, 1990 and Bernstein, 2000). Thus, in this way, many times students experience the school activities and their results as the results of suppressive procedures with dubious transformational capabilities. In other words, what is required, are more holistic educational activities with softer features than the ones of the formal educational system and more adaptive in the cognitive, meta-cognitive and social characteristics of children and adolescents (Kyridis et al., 2015).

4. Research methodology

The aim of our research is to record the attitudes inherent in the Greek society and especially in a specific segment of the population, such as the student population, with particular social and metacognitive features towards corruption, social values and the role the educational system plays or can play on this issue. The capacity of formal abstract thinking has already made its appearance at the age of 12-13 years (Piaget, 1970), while the hallmark and the key challenge for the young adults attending the University is the systematic process of critical evaluation for the knowledge provided. Specifically, many studies (Pascarella, 1989; Tan, 1995; Hagedorn et al., 1999) highlighted that young adults having graduated from the university had had more opportunities for the development of critical thinking and the related skills which

strengthen the life-long learning contrary to young adult non-university graduates. In addition, another research (Flowers et al., 2001) argued that even in the first year of university studies, students have significant cognitive and learning benefits. According to the theories of leading developmental psychologists (Perry, 1970; King & Kitchener, 1994; West, 2004; Baxter-Magolda, 2006; Thompson, 1999), who studied the cognitive development in early adulthood, university attendance allows the transition from naive and absolute certainty of acquiring knowledge in complex sophisticated probabilistic evaluation of systems and institutions. All these cognitive-developmental approaches, in spite of their individual differences, stress that contemplative knowledge approach enables the determination of the nature and its limitations, and lays the foundation for the mental preoccupation with modern composite intractable problems (Baxter-Magolda, 2004; King & Kitchener, 2004). Specifically, the students begin to leave the binary model of problem solving ("right" - "wrong") in favor of a "multiple" probabilistic approach. Thus, the conditions for facilitating critical thinking are being established with a view to interpret modern socio-cultural situations, but also a substantial need for dealing with hypothetical and ideological problems (see Thompson cited in Kyridis et al., 2011).

Given all the above-mentioned, we developed a scale of attitudes which aims to measure female and male students' attitudes in Greek universities towards corruption and the moral values inherent in Greek society during the ongoing crisis. The scale consists of three sub-scales: a. Greek educational system and moral values, b. moral values within the Greek society and c. corruption in Greek society. The total internal reliability of the tool was assessed based on Cronbach's alpha at 0.879, while for each sub-scale is bigger than 0.70. The sample consisted of about 400 students from three universities in Greece

What mainly matters is the way the society perceives the phenomenon of corruption, its attitude towards it, but also the ideological and associative collocations the society makes associating corruption with social and moral values and the role of education.

5. Conclusions

5.1. *Descriptive data*

The majority of the individuals of the sample is female (68%), aged between 18 and 22 (62%) and some 44% of them work while studying. In their majority, their families reside in Athens or Thessaloniki (56%) or in another urban centre (18%), while some 14% reside in a town and some 12% live in a rural area. As far as the professional background of the families is concerned, some 8% on average come from parents who are scientists, the 31% come from parents who are public officers, the 18% are private officers, 9.5% of them are craftsmen, 3.5% retailers, 7% and 8.5% come from workers' and farmers' families. Further, the 14% of them come from unemployed parents or parents dealing with the household (1% of them have unemployed fathers and 27% have mothers doing solely the household). Additionally, 11% on average come from families with parents either illiterate or primary school graduates, 47% with parents who are secondary education graduates, 38% higher education graduates and 4% coming from parents holding master degrees. The individuals of the sample excelled in the secondary education (26%) or got very good marks (34%), good marks (26%), or good enough marks (14%). Finally, 18% declares that they belong to the Right political-ideological area (only 4 people on the extreme right), 43% in the Center area and 39% on the Left (the vast majority left, while there are respondents

self-defined as extreme left and anarchist). 74% stated that they are not at all or little politicized or completely indifferent politically, while only 26% responded that they are quite or very politicized. Concerning their answers in the various statements and proposals of the questionnaire, we should mention that:

- In terms of the first category/ thematic area concerning school and its role in shaping values, 56% of the sampled individuals neither agrees nor disagrees, while 43% agree or fully agree on the relevant statements.
- In the second subject, 36% choose on average neutral positioning in terms of society and the values it advocates, and those who agree or agree totally amounting to 61%.
- Finally, regarding the corruption of the state/ society, those who agree or completely agree with the average of the relevant statements of the specific thematic reach only 37%, while the majority chooses neutral positioning "neither agree nor disagree".

5.2 Results of inquiry- based statistical analysis

A) Analysis highlights that the more politicized sampled respondents agree to a greater extent with the least conservative positions of the thematic category A, which concerns the role of the school and the family in the formation of values. In addition, the differences in the averages of the level of agreement on many of the relevant statements, range at statistically significant levels comparing to the ones of their less politicized colleagues. The results concerning the political affiliation of the sampled individuals are equivalent. Thus, the more conservative, as well as the more idealistic,

positions are adopted by respondents belonging to the political sphere of the right and center and less to the left.

Similarly, in the B category, which refers to values in relation to society, the more politicized individuals tend to agree (statistically significantly) more with those positions involving critical attitude and engage, at a greater extent, the role of society, while the ones self-identified as left tend to adopt a more internationalist dimension to the debate on values.

Finally, in thematic C, the responses of the sampled individuals differ significantly in relation to the degree of politicization and their political area. Thus, the more politicized as well as the left and anarchist individuals prefer the statements including collective and anti-structural features, with political economic analysis elements, as regards the detection, description and the ways to combat state corruption, while their less politicized colleagues of the rest political areas outweigh in more conventional statements adopting more individualized solutions against corruption. Tables 1 and 2 of the Annex include individual positions where politicized from non-politicized sampled persons differ significantly.

B) The responses of individuals sampled in most sub questions in all three thematic categories, do not differ, statistically significantly, in relation to their employment status. Thus, people who work do not differ from those who do not work in the positions adopted on the role of the school and the values it transmits. The results concerning the third thematic category, referring to the State and the corruption, are similar. In this theme, people who work take a somewhat opportunist angle, answering more often that for them it does not really matter how they will achieve their purpose (*"the end justifies the means"*). Probably, situations that lead them to be early engaged in the labor market along with their studies may contribute to the

formation of such an attitude. Also, some few statistically significant differences are detected in the second theme in positions related to social and moral values. It seems then, that people who do not work, embrace in a greater degree some positions which are characterized by a latent pessimism and trend towards depreciating the institutional functioning of society in the level of moral values (see table 3).

C) It is quite interesting that there are significant differences in the statements adopted by undergraduate in relation to the graduate students of our sample. Therefore, undergraduate students prove themselves more ideologically-driven, attached to ancestral principles and ideals in the debate on corruption (third thematic category), in contrast to their graduate colleagues placed more pragmatic and on the basis of an utilitarianism and a prominent individualism. The latter also seem more moderate than their younger colleagues in terms of adopting positions that refer to moral values within the context of society (i.e., the second theme). Finally, regarding the first thematic category, the few differences between the two sub-categories, in relation to the school's role in shaping values, cannot be assessed (see table 4).

D) The individuals coming from families of higher educational backgrounds choose in a greater extent and in a statistically significant level the most radical positions questioning the school in general and the role it has taken on towards the formation and cultivation of moral or national values, although they continue to consider it as the prime institution combating state corruption. Moreover, they are espousing, as far as statistics is concerned (namely at a significantly greater degree), statements involving internationalist, global and highly social character, attributing individual and collective responsibilities for fighting corruption. However, it is surprising that concepts such as: *"the end justifies the means"* or *"since everyone is corrupted, why should I be honest"* find them consistent and even in a significantly greater extent than

their colleagues from lower educational environments. In contrast, the latter (those who come from lower educational family backgrounds) express more moralistic opinions, with intensified formalistic features and a pervasive sense of determinism in pathogenic phenomena of the function of the state and society (table 5).

E) Women and men adopt positions/ statements on all three themes that do not differ significantly as far as statistics is concerned in their entirety. In cases, however, where significant variations are identified, women seem to adopt more processed and advanced progressive positions than their male colleagues. The latter often seem to be characterized by a leveling and pessimism trend, possibly correlated with the adoption (by their side) of an individualistic survival logic/ strategy, including facets of opportunism (table 6).

F) There are not particularly clear differentiations in the choices of the sampled individuals in relation to the professional status of their families. We would say, in general, that those coming from rural families, choose more traditional positions with preservative content that retain the family or the school as the "absolute institutions shaping moral and national values," while blaming society for poor cultivation of similar values to its younger members. Individuals coming from families of retailers or scientists adopt more processed positions, blaming school itself for poor socialization of students. Further, they blame the educational system for its *"inability to deploy events in recent history to consolidate basic social values"*. They are the ones mainly considering the fight against corruption as a collective stake in a society where *"democracy should be an essential social value."* Finally, positions of extreme opportunism and individual success are being adopted by individuals coming from families of workers, private officers and engaging in household.

G) Students coming from rural areas adopt more traditional positions/ statements deriving from a general concept found in the triptych "Home nation-Religion-Family", which is also adopted from some of the respondents coming from urban centers, but in a significantly smaller degree of agreement. The latter often choose more radical positions that challenge the traditional norms, such as the one that wants the Greek society "(...) *to be obsessed with historical and religious facts*" or that *"the persistence in traditional moral values does not allow the consolidation of newer values."* Finally, despite their broader concern, those coming from urban centers, do not avoid to coincide with some individualistic and utilitarian considerations, letting the impact of the urban lifestyle on individual mentality emerge. The erosion of the system itself seems to addict the members of society in a way to address the social issues, based on a rather alienating filter of distorted vision of the world, nature and themselves (table 7).

Discussion

First, it should be noted that the analysis yielded a wide range of results that can lead to multiple interpretations, not only for their ideological approach direction but also in their level of complexity. So, we have to reiterate that we attempted survey that is not based on a specific and grounded theory, since we intended to record the attitudes of that specific population towards corruption and social and moral values that lie behind it.

The analysis showed that despite the fact that corruption is a phenomenon of social pathology towards which students are placed, in general, in a negative way, it is also linked to the broader net of social and moral values inherent in the Greek society. However, this connection is not organic and unbroken. For example, the traditional values of Greek society associated with the homeland, the nation, the religion and the family seem to find a position in accordance with the attitudes of a certain part of the population in Greek schools, and basic social universal values about equality and social rights do not enjoy such strong acceptance from the same population group. On the other hand, more politicized students seem to experience in a more positive way those social values, while expressing more negative positions towards the traditional Greek values considering them as elements of the superstructure and its dominant ideology, which the education system has undertaken to maintain and to consolidate.

On the issue of corruption, it seems, as mentioned above, a general negative attitude, without missing positive attitudes in clichéd phrases like «The end justifies the means», or «because everyone is corrupt, why should I be honest». On the other hand, the age of the population, and primarily the level of education seems to influence their attitudes, as undergraduate students appear to be more ideologues and to show a more

pronounced negative attitude towards corruption. The crisis is inherent in the capitalist socioeconomic formation and corruption issues could be considered (in given cases) as the result of a broader pathogenesis of the above system. Legitimization of practices resulting to broader de-moralization result in corruption pandering to consciousness and affected by the alienation of man himself.

We believe that, among others, our research highlighted the "fight" between two dynamic poles of Greek society. On the one hand, we have a segment of the population adhering to traditional Greek social and moral values, which "resists" towards social change and global social values, while on the other hand, there is a segment of the population that wants the detachment from these values and seeks to consolidate wider and discolored social values. The role of the education system in the fight against corruption, in some cases, seems to be inconspicuous, since there is an agreement in principle on what the school should make towards the nurturing of social values, especially those based on panhuman rights.

Corruption remains, in one way or another, an ingredient of Greek social life as a side- effect of chronic, fixed and insisting policies and social practices, backed by clientelism.

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(G in Greek)

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Title: Adam Smith and the Scottish Enlightenment: Method, Theory and History

Abstract

The Scottish Historical School had produced a diversity of intellectual figures which had determined the progress of social sciences. Adam Smith is the most eminent reflection of its determination. His multifaceted work, in spite of being the locus classicus of classical political economy, has promoted a chemical symphysis between theory and history. Evidently, the epistemic framework of the Scottish Enlightenment determined the dimensions of the Smithian work. His philosophy of science, together with the empirical element of his methodology, rendered history as the *raison d'être* of his work. More specifically, the acceptance and the extension of Newton's analytic-synthetic method, opened the door to history to become a congenial ingredient of his economic analysis. Substantially, Smith's work produced a special conjunction between method, epistemology, theory and history which determines the history of economic thought.

Keywords: Adam Smith, Newton, Scottish Enlightenment

1. The Scottish Historical School

The Scottish historical school had been a product of the period of the Scottish Enlightenment, a period which has been associated with a general transformation in the disciplines of social sciences. As Skinner (1967: 32) points out, “Of all periods of Scottish history, the eighteenth century is surely one of the most striking”. Evidently, the eighteenth century is associated with the emergence of profound economic and political changes, and with a general explosion of intellectual ideas. One of its intellectual products, the Scottish Historical School, despite its very recent recognition as such, is the most astonishing crystallization of this outburst (Holloway 1963: 157). The Scottish Historical School is the creation of specific historical fermentations and in certain important ways had shaped the content of the classical school of political economy (Skinner 1990: 158). *Exempli gratia*, the necessity for economic growth, the demand for coordination within an economy with specialised production, the questions concerning income distribution and the role of government, were the key questions occupying economic discourse in eighteenth century Britain. Such pressing economic conditions set the scene for the inflorescence of an intense intellectual climate, with the parallel attempt to systematise these transitive conditions. In the forefront David Hume’s (1932: 225) rejuvenation is indicative of such an intense literary process: “Really it is admirable, how many men of genius this country produces at present!”.¹ According to Dow *et al* (1997: 391) this intellectual environment associated with the Scottish Enlightenment, constituted both a direct reaction against clerical dogmatism and a straight disposition to acquire knowledge by

¹ The representatives of the Scottish Historical School had been intellectuals of high encyclopedic calibre and had constituted the first scientific community of social scientists. As Sir Walter Scott notes they comprised “a circle never closed against strangers of sense and information, and which has perhaps at no period been equaled, considering the depth and variety of talent which it embraced and concentrated” (cited in Skinner 1967: 32). Macfie (1955: 87) observes that “In spirit, aim, and conduct they were citizens of the world, and they behaved as such”.

reason. The Scottish Historical School had more or less a direct influence upon a variety of scientific disciplines, including political economy, philosophy, ethics, law etc, while it's more crucial impact is crystallised on the science of history.

2. The Role of History in the Scottish Enlightenment

Naturally, there emerged among the Scottish scholars a need to understand and interpret the nature of the social and economic processes prevalent at that time. One of the main features of this quest, that of multi-disciplinarity, was a product of the need to understand the historical evolution of these phenomena (Montes 2003: 732). Hence, history's importance in this revolution of ideas. This is why Skinner (1975: 256) calls the period of the mid-eighteenth century as the 'Age of History'. It is remarkable that no other age had a similar intensive historical literature and criticism as the eighteenth century when, in Thompson's words (1942: 94), "everyone read and talked history".

The 'Age of History' (or the 'Age of Reason' in more modern terms) had followed the 'Age of Erudition' of the seventeenth century, which changed the general intellectual climate of the Middle Ages and set the scene for the emergence of a critical vein in historical writing. In the seventeenth century many discrete (but interrelated) events prepared the ground for a decisive drift in historical scholarship. Firstly, this century provided a large amount of historical material since the dissolution of the monasteries in England- under King Henry VIII- which was accompanied with the pillage of monastic libraries, "had thrown upon the market vast quantities of manuscripts and other documents which often could be bought for a song" (Lambert and Schofield 2004: 3). Secondly, disciplines auxiliary to history had emerged. The seventeenth century gave systematic and scientific form to chronology,

paleography, bibliography, archeology and numismatics (p. 7-9).² Thirdly, a factor that contributed to the stronger diffusion of scientific knowledge was the publishing opportunities that were varied. However, the most important factor which contributed to scientific advancement was that sciences in general -and historical scholarship in particular- having been freed from the close embrace of politics, attained the necessary space to develop independently. Naturally therefore, this transitive period introduced a new era in historical scholarship, which was of cooperative nature, while at the same time inducted a general critical spirit to it. The most representative figure of this trend was Jean Mabillon who introduced positive criticism and proved “the honesty of sources as well as the falsity of some” (Thompson 1942: 19).³ Mabillon had developed rules and innovative criteria of judging sources by comparing a great number of documents of the same time, place, and country. It is indicative that Lord Acton (1907: 460), in his celebrated *Historical Essays and Studies* observes that Mabillon

belongs to the family of pioneers, and [...] is one of the best known names in the line of discoverers from Valla [...] to Morgan [...] and although disciplined and repressed by the strict reform of Saint Maur, he rose above all his brethren to be, as an historian, eminently solid and trustworthy, as a critic the first in the world

² The discipline of numismatics is related to the study (or act) of collecting coins, paper money, and medals. The first germs of this discipline are chronicled at England in 1829. The discipline had borrowed its name from French *numismatiques*, itself a derivation from Late Latin *numismatis*, genitive of *numisma*, a variant of *nomisma* (νόμισμα) which means coin. For more information, see: Glyn Davies (1996), *Chronology of Money 1900-1919*, University of Wales Press, Cardiff

³ Dom Jean Mabillon (1632-1707) was a French Benedictine monk and scholar, considered the founder of both paleography and diplomatics. His *locus classicus* was *De re Diplomatica*, a pioneer work in historical criticism was dedicated to Colbert, the liberal politician of French Democracy (Sellin 1927: 581).

It must be noticed that despite its French origins, the spiritual fermentations of the ‘Age of Erudition’ had been diffused in Europe and mainly in its northern part, that of Belgium, Netherlands and Protestant England.⁴ The Glorious Revolution of 1688, by being “something besides a political change of vast significance and importance” changed the intellectual atmosphere of Britain as well (Thompson 1942: 42). In England, the most representative figure of the ‘Age of Erudition’ is Thomas Madox who’s *History and Antiquities of the Exchequer* (1711) comprised the historical *locus classicus* of this age and became a classic for the study of English medieval history.⁵ Madox’s famous *Prefatory Epistle*, beyond being a comprehensive survey of sources, is an introductory dissertation on the nature and methods of historical criticism.

The eighteenth century witnessed the professionalisation of this deep interest in the historical past. It is indicative that in 1724 King George I founded for every university a professorship of modern history and modern languages (Lambert and Schofield 2004: 8). Thompson (1942: 94) notices that during the eighteenth century, history was thought as “an arsenal of facts with which to bombard the *ancien regime* and bring about the desired reforms”. It was unavoidable that social sciences like social theory and political economy which had emerged during this era were deeply influenced by the prevailed attitude towards history. History afforded invaluable information with regards to the principles of human nature which was the subject-matter of Moral Philosophy, the mother discipline of both social theory and political economy.

⁴ The milestone of such diffusion in Great Britain was the publication of *The Annales of the Kingdom of Ireland by four Masters* (1612). The annals are mainly compilation of earlier archives but there is some original work in it. The chief compiler of this monumental work was Mícheál Ó Cléirigh (c. 1590 – 1643) and was assisted by Cú Choigríche Ó Cléirigh, Fearfeasa Ó Maol Chonaire and Peregrine Ó Duibhgeannain (Cunningham 2010).

⁵ Thomas Madox (1666-1727) was a legal antiquary and historian, known for his publication and discussion of medieval records. His major work was the *History and Antiquities of the Exchequer of the Kings of England* (1711) (Harrison 2008: 147).

Especially in Scotland this attitude was ultimately receptive. The Scottish university system was highly productive in the eighteenth century and prepared students who attained eminence in sciences (Morrell 1971: 159).⁶ History had been an inherent element in the Scottish general university education, being an issue of central importance in the scientific discussion. As Dow (1987: 341) observes “it was customary for the professors of physics and mathematics for example, to teach the elements of their subjects, as being the most important part, and to do so by laying out the historical development of ideas”. In the same spirit, Hopfl (1978: 32) notes that in any academic dissertation in Scotland we anticipate a purely academic and disinterested love for reconstructing and making sense of the past experience. There was therefore, as Taylor (1956: 162) rightly observes, an intellectual impulse in Scottish academic life, which kindled a zealous spirit of enthusiasm for the inquiry into historical past in the Scottish universities.

However, despite some radical shifts in historiography, the late eighteenth century has been identified with narration and description as the writings of the Scottish Historical School testify. Smith, the leader of Scottish Historicism, seems to have considered narration of primary importance. He noticed in particular that

The facts which are most commonly narrated and will be most adapted to the state of generality of men will be those that are interesting and important. Now these must be the actions of men. The most interesting and important of these

⁶ The Scottish university system enjoyed a high reputation. Smith, in a letter to William Cullen, notices that the Scottish universities were among the best at the time of writing. In Smith’s own words: “In the present state the Scotch Universities, I do most sincerely look upon them as, in spite of all their faults, without exception the best seminaries of learning that are to be found anywhere in Europe” (Correspondence, Letter 143: 173-174). Especially, the University of Edinburgh, as the informative study of Morrell (1971: 58) shows us, “achieved a notable preeminence in science which gained for it the reputation of being the best university for science in Europe and in the English speaking world”. It is noticeable that according to Thomas Jefferson the University of Edinburgh possessed “a set of truly great men, Professors of the several branches of knowledge, as have ever appeared in any Age or Country” (p. 159).

are such as have contributed to great revolutions and changes in State and Governments (LRBL, lect. xvii: 90)

Moreover, Lord Kames (cited in Skinner 1967: 37) observes that “Singular events, which by the prevalence of chance or fortune excite wonder, are much relished by the vulgar. But readers of solid judgment find more entertainment in studying the constitution of a state, its government, its laws, the manners of its people”. Therefore, the Scottish Historical School was not an anti-narrative one, since a synthesis of narration and historical criticism constituted the *raison d'être* of school's radical views upon history. *On the altera pars*, its history was totally different to the mainstream historiographical paradigm which had one-sidedly focused on narration and description.

Generally, history's importance is elevated in the writings of the Scottish historical school as a distinctive theory of history (that of stages theory) established a linkage between economic and social organisation (Skinner 1965: 1-2). The historical factor was firmly embedded in the Scottish tradition of economic thought and comprised an epistemological element of central importance in the writings of its representatives (Campbell 1976: 183). The ‘art of history’ unified together many different figures and represented a newly established interest in the ‘natural history’ of civil society (Skinner 1967: 33).⁷ For the eighteenth century's thinkers, history was the great teacher of human experience. It is indicative that for Hume ([1777] 1985: 566) “history is not only a valuable part of knowledge, but opens the doors to many other parts, [...] affords materials to most of the sciences”, and “extends our

⁷ The Scottish historical school was ultra-pluralistic in its nature. For instance Lord Kames and John Millar were the most influential legal minds of their time, David Hume was a profound philosopher and historian, William Robertson was an exceptional historian, Francis Hutcheson was the father of modernity in history, Adam Ferguson was a great sociologist, Dugald Stewart was an eminent economist, and Adam Smith a profound moral philosopher and political economist.

experience to all past ages, and to the most distant nations”. *Ad addendum*, in his *Introduction to A Treatise of Human Nature* (1736) Hume asserts that “As the science of man is the only solid foundation for the other sciences, so the only foundation we can give to this science itself must be laid on experience and observation” (Hume [1736] 2007: 5). Hence, the main ontological premise of this school had been its belief that in studying any element of social phenomena (legal, political, social or economic) it is necessary to go through two distinct stages of thought: the consideration of antecedents and the study of present conditions. Smith and his contemporaries had accepted Aristotle’s famous dictum that we can only understand what presently exists by considering ‘the origins from which it springs’.⁸ Such a profound emphasis on the past experience is a decisive feature in their economic texts. Hume in particular, in his *Economic Writings*, attempts to incorporate the economic element into a broader science of human experience, at the centre of which stands history. At the same time, Smith develops a specific theory of history in order to understand the function of economic phenomena in his *Wealth of Nations*.

Conclusively, the history of the Scottish Enlightenment is *in toto* different to the orthodox or ‘vulgar’ history of the eighteenth century which was basically concerned with particulars rather than universals (Skinner 1967: 46). More specifically, the representatives of the Scottish Historical School had accepted the necessity of narration but had rejected the orthodox view that the study of history necessitates a great “concentration of facts and singular events” (Skinner 1965: 3). Naturally therefore they had promoted a theoretically informed history consisting of analytic generalisations and abstractions.

⁸ Aristotle notes in his *Politics* (Book I, 1252a) that “If you consider the state-or anything else for that matter- in relation to the origins from which it springs, you will arrive at the clearest understanding of its nature”.

3. The Newtonian legacy and ‘Scottish’ Newtonianism

Essentially therefore, such a view of history is influenced by general fermentations prevalent in natural sciences. At the same time, the seventeenth century bequeathed upon both natural and moral sciences Newton’s revolutionary methodology and epistemology. Newton’s work, being the foundation stone of the ‘Age of Reason’ was highly respected by Scottish intellectuals and shaped the general academic climate of the age (Montes 2003: 724; 2008: 569).⁹ The chief element of this influence is Newton’s analytic-synthetic method. Newton’s own methodological stance is summarised in his most explicit reference upon method, that of ‘Query 31’ in his *Opticks*. This lemma is worth of citing *in verbatim*:

The Investigation of difficult Things by the Method of Analysis, ought ever to precede the Method of Composition. This Analysis consists in making *Experiments and Observations*, and in drawing *general Conclusions* from them by Induction, and admitting of no Objections against the Conclusions, but such as are taken from Experiments, or other *certain Truths*. For Hypotheses are not to be regarded in experimental Philosophy. And although the arguing from Experiments and Observations by Induction be no Demonstration of general Conclusions; yet it is the best way of arguing which the Nature of Things admits of, and may be looked upon as so much the

⁹ Montes (2008: 564) informs us that “There is evidence that Scottish universities were not only prominently Newtonian, but also instrumental in establishing Newtonianism in Britain”. Furthermore it is indicative that James Gregory and his nephew David Gregory, both Newtonians in spirit “were instrumental in forming generations of eximious mathematicians that helped to spread Newton’s early reception” (p. 564). Colin Maclaurin was, according to Wood (2003: 102), “the most capable and energetic exponent of Newtonianism working in Scotland, if not in Britain, during the first half of the eighteenth century. He helps not only to consolidate the Newtonian hold of Scottish academe, but also to create public science in the Scottish Enlightenment”. Adam Smith had been highly benefited from Maclaurin’s sophisticated interpretation of Newton (Montes 2003: 723). His late-biographer notes that “Maclaurin was the outstanding exponent of Newtonian science in his time, and his sequence of course must have been approximated at Glasgow [...] It must be emphasized, of course, that Maclaurin went far beyond his Glasgow colleagues in his comprehension of Newton” (Ross 1995: 56).

stronger, by how much the Induction is more general. And if no Exception occur from Phaenomena, the Conclusion may be pronounced generally. But if at any time afterwards any Exception shall occur from Experiments, it may then begin to be pronounced with such Exceptions as occur. By this way of Analysis we may proceed from Compounds to Ingredients, and from Motions to the Forces producing them; and in general, from Effects to their Causes, and from particular Causes to more general ones, till the Argument end in the most general. This is the Method of Analysis: And the Synthesis consists in assuming the causes discover'd and establish'd as Principles and by them explaining the Phaenomena proceeding from them, and proving the Explanations (Newton [1704] 1730: 404-405).

Newton's analytic-synthetic method had a more profound impact in Britain -and mainly in its Scottish part- than that of Descartes, who had dismissed the side of analysis.¹⁰ Descartes, by superseding the indispensable role of analysis and by believing that all values (natural, moral, and historical) are quantitative, of fixed estimation and of invariable operation, promoted a highly abstract and generalised view of historical processes.

However, history is a deeply genetic process of change and transformation and is never a succession of fixed (or predefined) patterns. Therefore Newton's analytic-synthetic method, being of a higher interpretative depth, was more apposite. Its ontological content is crystallised in Hume's words who reminds us that social scientists proceed from particular instances to general principles and they "still push on their enquires to principles more general, and rest no satisfied till they arrive at

¹⁰ Redman (1993: 221) believes that "Scottish universities accepted very early Newton's achievements as superior to the rival Cartesian philosophy". Essentially, Newtonian physics was taught at Scottish universities during Smith's lifetime and its influence upon him seems to be self-evident.

those original principles, by which, in every science, all human curiosity must be bounded” (Fiori 2012: 415). *In vivo*, Newton’s method attained its apogee in Adam Smith. Smith had been adequately educated in Newtonian science (Cohen 1994: 66). It was Newton’s methodological influence through his analytic-synthetic method and his acknowledgment that scientific progress is an open-ended process which had contributed to the development of Scottish moral philosophy (Montes 2008: 566).¹¹ Wightman (1975: 60) suggests that Newton’s theoretical system had been already quite influential in Great Britain “half a century before Adam Smith could have made his judgment and, *a fortiori*, before he showed himself to have a pretty good idea of its nature”. Therefore, there is recorded a mutual interaction which had been *in fine* extremely fruitful. Not only were Scottish scholars early advocates of Newtonianism but more importantly, the Scottish Enlightenment, through the Scottish Historical School, provided a special intellectual framework for assimilating and applying diversified approaches to Newton’s revolutionary ideas. For instance David Hume, one of its major exponents, comments that Newton was by far the greatest and rarest genius that ever arose in human philosophy (Ross 1995: 101). In Hume’s own *verba*:

While Newton seemed to draw off the veil from some of the mysteries of nature, he showed at the same time the imperfections of the mechanical philosophy, and thereby restored her ultimate secrets to that obscurity, in which they ever did and ever will remain (History of England, Chapter LXXI: 480)

¹¹ Wood (2003: 107) recognises that “the Newtonian corpus shaped the pursuit of the human sciences in the Scottish Enlightenment to a far greater extent than is often recognised”, and according to Fiori (2012: 414) Newtonianism was largely influenced by the intellectual debates of the Scottish Enlightenment.

Essentially therefore, Montes (2003; 2008) is right in his belief that the adoption (and adaption) of Newton's ideas was *in toto* different in Scotland in comparison to other countries of Europe and especially in its francophone part. Newtonianism, as part of an intellectual revolution, cannot be separated from other fundamental and momentous debates like the critique of contractual theories, especially the Hobbesian one and Montesquieu's historical teachings (Fiori 2012: 414).¹² Montesquieu's work, in particular, was highly influential in Scotland. In spite of being Cartesian in its ontology it does not downgrade the importance of analysis. Montesquieu himself, in his *Esprit of Laws*, notes that the human world is far from being so well governed as the physical one and that it does not conform to exact laws as the physical world does (Fiori 2012: 417). Such view is clearly related to the wider 'problem of historical change', as Skinner & Wilson (1975: 7) call it.¹³ Montesquieu's frequent references to historical events and facts show his profound interest in the historical past. His institutionalist and comparative method was highly influential during the Scottish Enlightenment and had shaped the general framework of its epistemic enunciations.¹⁴ Therefore, the interaction of Newton's method with other contemporary strands of philosophical thought produced a 'Scottish' interpretation of Newtonianism which was more 'empirical' in its nature and more historical in its methodology.

4. Adam Smith: a typical representative of Scottish Historicism

¹² Hobbes in his *Leviathan* observes that it was *bad reasoning* that have plunged the European *body politick* into chaos during the seventeenth century and notes that the only effective cure for this disorder was the effectual enactment of a social contract, similar and rigorous to Euclid's geometry (Hampton 1986: 2-3).

¹³ According to Smith's late-biographer, "The primary insight of the French author to which Smith and his friends responded was that of the dynamism of law responding to human needs *in varying and historically changing social and economic environments*" (Ross 1995: 121, added italics).

¹⁴ Montesquieu's study of laws and institutions illustrates his ontological belief that laws and institutions "must be judged not by abstract principles but by their suitability to the circumstances of the time" (Gooch 1913: 9-10).

Adam Smith should be considered as a product of these parallel fermentations and as a typical child of his own times. He is a true Scot of the eighteenth century as Macfie (1955: 86) calls him. It is indicative that Heilbroner (1973: 261) insists that Smith “albeit a major shaping intellectual force” was inevitably “a product of his time, sharing with it the limitations that seem to our age so patent and so crippling”. This is why Clarke (1926: 349) warns us to view Smith in the context of the medieval conditions prevalent in the eighteenth century’s Nationalism and Mercantilism, and in relation to railroads, holding companies and giant power. Indeed, Smith, as a member of a multiyared intellectual group, had been a mighty intellectual figure.¹⁵ It is not surprising then that Smith wrote about metaphysics, natural history, ethics, political economy, astronomy, rhetoric, jurisprudence and biology and had a perfect command of Greek and Latin languages (Montes 2003: 732; Skinner 1975: 172).¹⁶ His caliber had impelled Schumpeter (cited in Wightman 1975: 45) to write that “it is hardly credible that *The Wealth of Nations* and the *Essays of Astronomy*, so utterly diverse in subject matter could be the products of the same mind”. *Ad addendum*, for Skinner and Wilson (1975: 1):

Smith’s knowledge is particularly striking in a period where the division of labour has enhanced the difficulty of mastering a wide range of subjects. We know, for example, that Smith had an extensive knowledge of contemporary work in the natural sciences and the arts

¹⁵ Clarke (1926: 359) notes that Smith’s “personal bent led him to amass a great array of facts, so that he has been called the best informed man since Aristotle”.

¹⁶ His interest on biology is striking. Skinner (1975: 172) observes that “It may be recalled that Smith purchased the *Encyclopedie* for Glasgow University Library and that he personally owned the works of D’ Alembert, Diderot, Buffon, and Maupertius”, and “The type of work done in biology by such writers was particularly important, linked as it has been to the entrance of ‘historicism’ into the European outlook in the late 1740s and 1750s”.

Smith, as a child of the Scottish Enlightenment, thought of history as a crucial ingredient of his *magna* effort to construct a general system of social science. He produces a theory of history which had been the epistemic motif of his reasoning. His theory of history has an array of influences. *Ab initio*, it is influenced by a specific philosophy of science, as is defined in his *Essays on Astronomy*, secondly it is inspired by the analytic-synthetic method, which although Newtonian in spirit, was at variance to Newton's method and, lastly it is animated by a specific theory of historiography which is elaborated in his *History of Historians* and is presented in his *Lectures Rhetoric and Belles Lettres*. These influences constitute the epistemic backbone of his theory of history.

5. Smith's philosophy of science

Although Smith had not developed an unambiguously defined philosophy of science, he had unfolded its spirit in his great *Essays on Astronomy* (1795) in which he elaborates his views concerning the process of scientific progress.¹⁷ It must be noted that Smith reached his main methodological and epistemic principles early on in his career without fundamentally modifying them afterwards (Viner 1968: 323).

According to Smith, the cause of any scientific progress is the sense of surprise which the scientist feels when an observed object does not fall into his recognised theoretical pattern (HA, Section II, § 9: 42). For Smith, the feel of surprise is always followed by that of wonder. *Wonder* is defined as "the stop which is thereby given to the career of imagination, the difficulty which it finds in passing along such disjoined objects, and the feeling of something like a gap or interval betwixt them" (HA, Section II, § 9: 42-43). Therefore, wonder involves a disutility or a sense of

¹⁷ From Schliesser (2005: 698) we are informed that Smith had valued the *Essays on Astronomy* throughout his life, whereas O'Brien (1976: 135) regards the latter as a deeply impressive essay.

discomfort, since it raises doubt as to the analytical adequacy of the recognised theoretical pattern (Skinner 1972: 309; Lindgren 1969: 899). The inadequacy of the theoretical pattern to locate the event in its premises is followed by a revision of the accepted outlook and “To the extent that this effort is successful, confidence that our outlook will enable us to face the future with calm and tranquility is reestablished and wonder is diminished, if not eliminated” (p. 900). Therefore, theory (or science) is modified as a response to the emergence of wonder; and if wonder is persisting, the transformation of the recognised pattern is established and imagination attains its final end.

Smith’s ‘history of science’ is that of ‘revolutions of philosophy’ as it shows the dynamics of scientific problem-solving in which hypotheses or theories evolve in a fairly regular sequence. Moreover, it crystallises that when the recognised pattern is subject to a process of modification, irregularities conflict with the accounts and predictions of the paradigm and are increasingly identified (Kim 2012: 805). Therefore, the emergence, development, and decay of theoretical systems have, according to Smith, an open-ended, typified sequence since “a system is constructed with the aid of the imagination to provide coherence to the appearances. As time passes, irregularities are discovered, and successive, gradual modifications are introduced into the system or new phenomena are discovered that lead to conflicting accounts or dissatisfaction. This makes it likely that the system will be replaced by a new system, and so the process starts anew” (Schliesser 2005: 704).¹⁸ Essentially therefore, wonder is the first principle which prompts man to science. For Smith,

¹⁸ Smith is one of the first authors to see regular and successive revolutions in the history of astronomy and, perhaps, sciences and other forms of inquiry more broadly (Schliesser 2005: 704).

science's originations are rooted in the psychological desire to escape the sense of disutility which is associated with the sentiment of wonder.¹⁹

To sum up, there are three discrete sentiments that determine every epistemological process: surprise, wonder, and admiration. For Smith, *Surprise* is the violent and sharp change that is produced upon the mind, when an emotion of any kind is brought suddenly upon it (HA, Section I, § 5: 35); *Wonder* is the uncertainty and anxious curiosity excited by its singular appearance, and by its dissimilitude with all objects he had hitherto observed (HA, Section II, § 4: 40)²⁰; while *admiration* is attained through the discovery of these real chains which Nature makes use to bind together her differential operations (HA, Section IV, § 76: 105). According to Montes (2003: 734) "Curiosity, intellectual dissatisfaction, and the scientific success that will soothe the mind, represent these three states of the mind". Therefore, these states constitute, according to Smith, the ontological *raison d' être* of any of his epistemological attempts. The *modus vivendi* behind an analytical attempt is the psychological need to soothe the imagination by eliminating surprise and wonder, caused by incoherent and disjointed events (Megill 1975: 85). Wonder, therefore, and not any expectation of advantage from its discoveries, is the first principle which prompts mankind to the study of philosophy and the original sense of pleasure that is derived from it prompts men make scientific to inquiries (HA, Section III, § 3: 51). *Ipso facto*, the basic purpose of any scientific explanation is to escape the disutility of wonder which vanishes altogether upon the clear discovery of a connecting chain of events, or of a theory in modern terms (Skinner 1972: 309).

¹⁹ Wightman (1975: 56) believes that the notion of wonder is the most important epistemic contribution of Smith's philosophy of science.

²⁰ Smith evinces the role of wonder in scientific inquiries by comparing scientists with musicians who "have trained their minds to see as altogether separated any events which fall short of the most perfect connection" (Megill 1975: 82).

Accordingly, Smith identifies scientific progress with a certain mental attitude since the mind is attempting to place the appearance of nature into categories with which it is already familiar, and to lessen discomfort from the unexpected and it tries to reduce the possibility of this discomfort by maintaining familiar categories into which it can readily place most of the appearances coming before it (Myers 1975: 282). Smith (HA, Section II, § 8: 42) points out that the human mind:

endeavours to find out something which may fill up the gap, which like a bridge may so far at least unite those seemingly disjoined objects, as to render the passage of the thought between them smooth, and natural, and easy

Therefore, the mind searches for a thread to bridge the gap and unite the disparate appearances before it. The purpose of such unification is to facilitate the movement of thought across this gap. Substantially therefore, *wonder* is something that moves the mind in the direction to explain an anomaly (a disjoined object or event) which is not exemplified by the previous theoretical system.²¹ Indeed, Smith believes that the explanation that is offered by theory can only satisfy the mind if it is coherent, capable of transforming several observed appearances into a systematical reasoning, and stated in terms of ‘familiar’ or plausible principles (Skinner 1998: 13). Therefore, as Endres (1991: 84) observes, “Smith’s methodology emphasises a human need to overcome discomfort rendered by discordant observed appearances, with *coherent explanation*” while “the latter is designed to satisfy a psychological need to remove

²¹ Smith in his *Theory of Moral Sentiments* and *Wealth of Nations* avoided the use of the word ‘system’ and replaced it with that of theory which seems to have been nothing more than a ‘good’ system. As Megill (1975: 85) rightly observes, “Significantly, in both *The Theory of Sentiments* and the *Wealth of Nations* Smith uses the word *system* when referring to the inadequate moral and economic theories of his predecessors”. For instance, in the Book IV of his *locus classicus* he proceeded in the examination of “two such systems, ‘the mercantile system’, better known as mercantilism, and the ‘agricultural systems’, of which the most recent example was Physiocracy” (p. 91).

disutility and is successful only if it is founded on plausible and ‘familiar’ connecting principles” (p. 84).

More specifically Smith believes that a well defined theory²² has to be comprehensive and coherent²³, familiar and simple,²⁴ but also aesthetically beautiful and proper²⁵, in order to appeal to the imagination by demonstrating the connecting principles of nature. In this way, although Smith did not speak about (or search for) the absolute truth, he gave criteria –or a set of *desiderata* (i.e. simplicity, distinctness, comprehensibility, lack of reasonable competitors) - by which the doctrine can be considered as an ‘established’ system (Schliesser 2005: 708).

Smith holds the belief that a theoretical system of such qualities has to function as a machine, having a certain and well-defined end.²⁶ His declaration is indicative:

²² Skinner (1972 ff. 5: 312) notes that “There is an interesting parallel between Thomas Kuhn’s analysis of the *Structure of Scientific Revolutions* (1962) and Smith’s analysis”, and a resemblance between Smith’s and Kuhn’s views of scientific change (Skinner 1974: 180). He (1998: 14) also notes that for Smith “the normal pattern of events would follow a certain sequence: first, the development of a system, second its gradual modification as new observation had to be taken account of, and third, the rejection of the system when the degree of theoretical complexity eventually rendered it unacceptable to the human mind. The anticipation of Kuhn is, if not obvious, provocative”.

²³ Coherence is related to the extent to which the background knowledge of the theoretical system is plausible (Kim 2012: 807). For Smith, coherence is the most important standard of theory’s evaluation since the judgment of hypotheses is related to such background knowledge.

²⁴ Smith believes that simplicity is an important feature of a well-defined theory. For instance, in his *Essays on Astronomy* he claims that the system of concentric spheres (HA, Section IV, § 7: 57-58) and that of Ptolemy (HA, Section IV, § 25: 69-70) were overpassed due to their lack of simplicity. In similar vein, as Lindgren (1969 ff. 9: 902) rightly observes, “It was only when Newton suggested that gravity (which was clearly familiar) produces the motions which describe the courses of the heavenly bodies at the velocities and distances suggested by Kepler, that a satisfactory alternative to ancient superstition was at last developed”.

²⁵ Lindgren (1969: 905) concludes that “an adequate outlook must not only meet the standards of comprehensiveness, coherence, and familiarity, but also that of beauty”. Smith, in many different places in his work spoke of the ‘love of analogy’ (Smith 1980: 231). In his polemic against both Ptolemaic and Copernican systems he notes that, based on both explanatory and predictive powers, both systems have been equally favoured with regards to the capacity of complying with the same observations. However with respect to aesthetics the latter provided more coherence and simplicity (HA, Section IV, § 32: 74-75).

²⁶ Smith’s most interesting epistemological project was to systematise ‘the natural order of things’ in economic and moral processes. This project is illustrated by his attempt to discern the *end* of each procedure. As he put it, “In every part of the universe we observe means adjusted with the nicest artifice to the ends which they are intended to produce; and, in the mechanism of a plant, or animal

Systems in many respects resemble machines. A machine is a little system, created to perform, as well as to connect together, in reality, those different movements and effects which the artist has occasion for. A system is an imaginary machine invented to connect together in the fancy those different movements and effects which are already in reality performed (HA, Section IV, § 19: 66)²⁷

Essentially, the end of a well-defined theoretical system is to discover those great connecting principles that bind together all these discordant phenomena and to typify schemas that exemplify these events. Smith uses Newton's system which, by introducing one great 'connecting principle' (that of gravity) was much simpler than that of Kepler, Descartes, and Galileo.²⁸ He notes that "Human society when we contemplate it in a certain abstract and philosophical light, appears like a great, *an immense machine*, whose regular and harmonious movements produce a thousand agreeable effects" (TMS, Book VII, Section III, c. I, § 2: 316). On the *altera pars*, new and singular events excite wonder in people's imagination and produce discomfort and tumult in the imagination (TMS Part II, Section, III, § 39: 154).

Hence, a theory is based ontologically on some vigorous and indisputable principles and gives us pleasure inasmuch as there is a propensity, natural to all men, "to account for all appearances from as few principles as possible" (TMS, Part VII,

body, admire how everything is contrived for advancing the two great purposes of nature, the support of the individual, and the propagation of the species. But in these, and in all such objects, we still distinguish the efficient from the final causes of their several motions and organisations" (TMS, Book II, Section ii c. iii: 147).

²⁷ Smith defines the 'imaginary machine' by indexing Copernicus' epistemic achievement who was able to "connect together celestial appearances, in a more simple as well as a more accurate manner, than that of Ptolemy" (HA, Section IV, § 27: 71).

²⁸ Smith's belief that (theoretical) systems are becoming more and more simple seems to owe its springs in Condillac's work *Traite des systemes* (1749), where he maintains that the theoretical systems concerning astronomical systems is progressively becoming "more and more simple" (Megill 1975: 83).

Section II, c. ii, § 14: 299). Theory, in Smith's account, is identified with a 'connected order' that adjoins parts which seem to have some (natural) relation to one another (WN, Book V, c. i, § 9: 199). Therefore, a theory is an effort to introduce order and harmony into observed appearances by using some principles that connect phenomena into a chain-like fashion (Redman 1993: 216). Essentially, Smith's theory of history is seated on such an epistemic understanding of science by giving order to seemingly disparate events.

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Rethinking paradigms: Mainstream responses to the crisis and change

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To be presented at the *1st International Conference in Contemporary Social Sciences*

“Crisis and the Social Sciences: New Challenges and Perspectives”

Rethymno, 10 - 12 June 2016

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Abstract

This paper seeks to contribute to an understanding of the dynamics of change in economics considering the impact of the recent economic and financial crisis. It argues that owing to its theoretical premises and sociological/institutional factors shaping the profession, mainstream economics remains static and immune to change even in the face of momentous economic disruption. These parameters inhibit prospects of change and the generation of new knowledge. To explore this argument and assess the prospects and the nature of change, this research examines how mainstream economics responded to the crisis and attempts to elucidate factors that influence mainstream receptiveness or resilience to change. The context for this research is set by post-crisis debates that discuss the state of economics in terms of a paradigm change. A number of commentators diagnose a paradigmatic crisis while others perceive neither the need nor the imminence of paradigm shift in post-crisis mainstream economics. Compounding this ambivalence, both viewpoints tend to use the term paradigm shift loosely as a verbal generalisation outside an appropriate framework of scientific construction that is an essential criterion to appraise change in terms of knowledge creation. Another drawback limiting the analytical depth of this change/paradigm problematic is that it largely overlooks the issues of social structure and social relations relating to scientific communities. To address these drawbacks, this research draws on Kuhnian insights of normal science, paradigm and scientific community evaluating mainstream economics as a system of ideas and as a specific scientific community.

Keywords: crisis responses, mainstream economics, paradigm, scientific community, change

INTRODUCTION: OVERVIEW, RATIONALE AND LAYOUT

Let us then assume that crises are a necessary precondition for the emergence of novel theories and ask next how scientists respond to their existence. (Kuhn 1962:77)

Recognised as the worst economic downturn since the Great Depression of the 1930s, the recent economic crisis sparked a flood shed of response. Intense critique questioned the performance, the standing and the prospects of mainstream economics focusing on the inability of the neoclassical paradigm to reconcile theory and reality, its formalism and modelling techniques as well as the professional practices of economists and economics education. Evoking the Keynesian revolution in the wake of the Great Depression, the recent crisis raised expectations that it would be a catalyst for change in economics and prompted an intense scholarly debate around an ‘economic crisis – crisis in economics’ problematic.

A strand in this literature examines the ‘crisis in economics’ in terms of a paradigm change. Contrary views are expressed leaving the matter at hand inconclusive. On the one hand, characteristics of a paradigmatic crisis are diagnosed alluding to the need for a new paradigm in economics (Buiter 2009; Fox 2014; Kobayashi 2009; Lagadec 2009; Palley 2011; Stiglitz 2010; Whitehouse 2009). On the other hand, others detect no need or imminence of a paradigm shift in mainstream economics (Altig 2009; DeLong 2014; Dobusch and Kapeller 2012; Saint-Paul 2010). In particular, many prominent exponents of the mainstream establishment categorically reject the need for change in the dominant economic paradigm (Cassidy 2010a, 2010b; Sargent 2010; Taylor 2010; Coyle 2012).

This inconclusive debate leaves important questions unanswered blurring the prospects of change in mainstream economics under the impact of the economic crisis. Is a paradigm shift in economics necessary and imminent or is economics in good shape requiring no change in its dominant paradigm? Does the economic crisis mark the end of the neoclassical dominance sweeping away core assumptions such as “rational individual behavior and market discipline” (Heukelom and Sent 2010:26)? What about the anomalies exposed by the crisis? A limitation in the ‘paradigm’ debate is that both viewpoints tend to use the term ‘paradigm change’ loosely and as a verbal

generalisation. The indiscriminate use of the term outside an appropriate philosophy of science framework, constrains the analytical depth of the discussion. What is also lacking from the recent change/paradigm problematic is that it largely overlooks the complexity of social structures and social relations in play.

To address these drawbacks, the present paper pursues a different path and attempts a systematic analysis of post-crisis mainstream responses drawing on Kuhnian concepts of paradigm, scientific community and normal science. It argues that theoretical and institutional/sociological parameters constrain the prospect of paradigm change in mainstream economics and inhibit the generation of new knowledge. To explore this claim, mainstream responses to the crisis and the post-crisis state of play in economics are assessed and the attempt is made to identify factors that may inhibit change in mainstream economics. Mainstream economics is examined in terms of paradigm and scientific community which are two interrelated constitutive elements of normal science. Central to this inquiry is a critique of a) the conceptual premises of mainstream economics and b) the sociological and institutional elements shaping the mainstream of the economics profession.

This paper is organised as follows. Section 2 examines the basic elements of Kuhn's framework of scientific change which, despite its shortcomings, provides a frame of reference to make sense of change in economics. Section 3 describes and analyses mainstream economics as the dominant paradigm in economics. It examines the theoretical and methodological underpinnings and the nature of the paradigm in general and after the crisis. Section 4 critically examines the pre-crisis state of play in economics and scrutinises post-crisis 'intra-paradigm' responses by the mainstream of the profession classifying them in three groups. Section 5 examines the scientific community of mainstream economics. Section 6 summarises, discusses findings and concludes. Section 7 presents some final reflections.

This research emanates from the need to better understand the dynamics of change in economics under the impact of the global economic crisis which is an issue greatly bearing on the future of a discipline that uniquely influences the economy, policy and society with broader implications for the ability of the discipline to generate knowledge. To make sense, change in economics should create knowledge that will add

to our capacity to better understand and improve the world in some way. This broader aspect, too, underpins our research.

1. PRELIMINARIES: KUHN, PARADIGMS, ANOMALIES AND NORMAL SCIENCE

Terms such as paradigm, exemplar, anomaly, scientific revolution, normal science and scientific community entered the academic—and often everyday—vocabulary following the publication of Thomas Kuhn’s *The Structure of Scientific Revolutions* (1962), one of the most influential books on scientific knowledge of the twentieth century. In a nutshell, Kuhn set forth a framework to explain scientific change drawing on the historical development of a mature science. Positing that to understand the nature of scientific knowledge we have to examine the actual history of science, Kuhn successfully contested the Received View¹ of scientific knowledge that “empirical sense experience forms the incorrigible foundations for legitimate scientific knowledge” (Hands 2001:110, 2003:169). Kuhn’s work challenged the hitherto hegemony of positivism by showing the disjuncture between its key tenets and the actual practice of science; the tenets targeted by Kuhn include the cumulative conception of scientific progress whereby science piles new truths upon older truths, the means by which scientific beliefs are produced, the idea that science aims only at truth deploying methods that pursue that goal, or that theoretical language is reducible to observational language (Bird 2012:861–3; Laudan et al. 1986:142).² In the context of this research, it is important to note that by emphasising the importance of the scientific community for the nature of scientific knowledge, Kuhn challenged the claim to superiority of dominant paradigms “in any absolute sense” indicating that alternative paradigms could reasonably claim their own legitimacy (Dow 2007:3).

¹ The ‘Received View on Theories’ formed the epistemic core of logical empiricism providing the dominant framework within Anglo-American philosophy of science during the 1950s and 1960s. The ‘Received View’ lost credit in the 1960s with the work of Kuhn, Feyerabend and others who argued that nothing in the actual history of science confirms that an “incorrigible empirical basis was used to test, serve as foundations for, or build up, scientific theories” (Hands 2003b:170).

² Kuhn emerges as the leading figure of the early 1960s when several new theories of science were advanced as alternatives to positivism by, among others, N. R. Hanson, Paul Feyerabend and Stephen Toulmin; in the seventies mainly as a response to Kuhn, a new generation of scholars including Lakatos, Laudan, Holton and Shapere set out models of scientific change based upon the empirical study of the workings of actual science as opposed to the logical or philosophical ideals of the positivist tradition (Laudan et al. 1986:142).

Kuhn's work has been both influential and controversial. Among other things, Kuhn's notion of incommensurability³ and the concept of paradigm itself drew criticism for being largely inaccurate, ambivalent and confusing (Bird 2002, 2013). Margaret Masterman (1970:61–65), a sympathetic critic, counted twenty-one distinct uses of the term paradigm which she categorised in three main groups.⁴ She emphasised, however, that Kuhn's work brought fundamental new ideas, which his critics never bothered to elucidate. Arguing that Kuhn overlooks the continuities which exist in every revolution, Toulmin (1970:45) noted that the transition from normal science to scientific revolution is abrupt. *The Structure of Scientific Revolutions* has also drawn political critique as “an exemplary document of the Cold War era” that served to blunt the critical acumen of academics and shield science from democratic control (Fuller 2000:5). Feyerabend (1970:197–8) who shared a number of concerns raised by Kuhn, criticised Kuhn's presentation and evaluation of normal science and his “general ideology” which could “inhibit the advancement of knowledge” by enlarging the anti-humanitarian aspects post-Newtonian science. In the last years of his life, however, Feyerabend recognised the great complexity, the coherence and the power of Kuhn's thought finding many similarities with his own system of thought (Hoyningen-Huene 2002).

As regards economics, notwithstanding that Kuhn was not concerned with the social sciences, his ideas proved to be quite inspiring for economists coming from both orthodoxy and heterodoxy (Fine 2004:107). A sizeable volume of literature examined the application of Kuhnian ideas in economics discussing whether they presented an appropriate framework for economics or not (Argyrous 1992; Bronfenbrenner 1971; Coats 1969; De Vroey 1975; Dillard 1978; Dow 2004, 2007; Eichner and Kregel 1975; Fine 2002, 2004; Gordon 1965; Johnson 1983; Khalil 1987; Stanfield 1974; Ward 1972).⁵ In Blaug's (1975:399) view, the term paradigm should be “banished from

³ The incommensurability thesis advanced by Kuhn (and Feyerabend in 1962) holds that due to radically distinct norms and terms used by different scientific communities, competing paradigms are by implication incommensurable because their practitioners cannot communicate and speak past each other: they “practice their trades in different worlds” (Kuhn 1962:148–150).

⁴ The three main groups are a) metaphysical paradigms, or metaparadigms, b) sociological paradigms and c) technological paradigms (Masterman 1970:65).

⁵ A bibliography provided by Redman (1991:96 fn. 1) cites thirty-one entries on Kuhn and economics. For a systematic review of Kuhnian and Lakatosian explanations in economics see Drakopoulos and Karayiannis (2005).

economic literature, unless surrounded by inverted commas". Redman (1993:144–45) argues that the concept of paradigm should be permanently cast out from economic literature as it obscures rather than clarifies issues owing to its indiscriminate use by economists. Arguing that philosophy of science has had a negative impact on economics, Fullbrook (2003) contends that mainstream economists saw Kuhn's ideas as a justification to perpetuate a dominant paradigm. Yet, Kuhn's emphasis on the community-specific social nature of science that is not bound by "its own or an absolute standard of truth" has helped demystify dominant paradigms and their claim to scientific superiority showing that alternative paradigms are entitled to their own legitimacy (Dow 2007:2; Fine 2004:132). As Fine (2004:109) emphasises, notwithstanding flaws and limitations, the important insights provided by Kuhn's work and the interdisciplinary discourse it inspired should not be discarded.

Anomalies, according to Kuhn (1962:52) are essential to scientific discovery and change: "discovery commences with the awareness of anomaly", which denotes "recognition that nature has somehow violated the paradigm-induced expectations that govern normal science". The accumulation of significant anomalies, which cannot be addressed by a universally accepted paradigm, prompt a paradigmatic shift leading eventually to a new paradigm. The resulting transition to a new paradigm is a scientific revolution (Kuhn 1962:90). Kuhn (1962: x) describes paradigms as "universally recognizable scientific achievements that for a time provide model problems and solutions to a community of practitioners" and defines it as follows:

A paradigm is what the members of a scientific community share, and, conversely, a scientific community consists of men who share a paradigm. (Kuhn 1962:176)

A "strong network" of "conceptual, theoretical, instrumental, and methodological commitments" (p.42), define a paradigm as "the source of the methods, problem-field, and standards of solution accepted by any mature scientific community at any given time" (p.102).

Kuhn has himself admitted ambiguity, lack of clarity and difficulties in his work and tried to modify his arguments or improve their exposition.⁶ In his *Second Thoughts*

⁶ Kuhn (1970, 1974) addressed with diligence criticism that came from Popper, Lakatos, Masterman, Feyerabend, Watkins, Shapere, Toulmin and others. He tried to clarify his positions which he did not

on *Paradigms* (1974), he proposed to replace the term ‘paradigm’ with the term ‘disciplinary matrix’, which he thought captured more accurately both the sociological nature and the conceptual constitution of a paradigm:

‘Disciplinary’ because it is the common possession of the practitioners of a professional discipline; ‘matrix’ because it is composed of ordered elements of various sorts, each requiring further specification (Kuhn 1974:463, 1970:271).

Constituents of the disciplinary matrix include most or all of the objects of group commitment described in *The Structure of Scientific Revolutions* as “paradigms, parts of paradigms, or paradigmatic” (Kuhn 1974:463, 1977:297). These are described by Kuhn (1974:463) as beliefs, symbolic generalizations, models, and exemplars: “symbolic generalizations” are “formal, or readily formalizable, components” used unquestioningly by the group, provide “preferred analogies or, when deeply held, with an ontology” while exemplars are concrete problem solutions accepted by the group as conforming to the paradigm.⁷

Paradigms can be global or local. In the global sociological sense, a paradigm comprises “law, theory, application, and instrumentation” (Kuhn 1962:43, 10). The global paradigm refers to the entirety of commitments, beliefs, values and techniques shared by the members of a scientific community, while the local paradigm “isolates a particularly important sort of commitment and is thus a subset of the first” (Kuhn 1977:294). Hence, each subfield in a discipline develops its own paradigm “as well as its own practical understanding of the global paradigm that characterizes the scientific field as a whole” (Nickles 2003:8). Paradigms are incommensurate because their appraisal would be unavoidably paradigm-specific and absolute criteria to judge theories are lacking (Dow 2007:1). Perception and observation are not independent of theory but they are influenced by the paradigm within which a scientist operates (Bird 2002:451). Most importantly, for a paradigm shift to occur the existence of a new

hesitate to modify. Responding to the rounds of criticism he received at the 1965 International Colloquium on the Philosophy of Science that was chaired by Karl Popper, Kuhn (1970:231) remarked that some readings of his book are so vastly differed from his own understanding that he was “tempted to posit the existence of two Thomas Kuhns” who authored two different books with the same title, one of which was the object of criticism by “Professors Popper, Feyerabend, Lakatos, Toulmin and Watkins.”

⁷ Adding to the confusion over the term paradigm, Kuhn (1974:463) states that the term ‘exemplar’ “provides a new name for the second, and more fundamental, sense of ‘paradigm’ in the book.”

paradigm to replace the existing one is required. In Kuhn's (1962:79) words, "to reject one paradigm without simultaneously substituting another is to reject science itself." The paradigm provides the members of a scientific community with guidelines and a frame of reference for normal science, which denotes what scientists are trained to do:

[N]ormal science, is the generally cumulative process by which the accepted beliefs of a scientific community are fleshed out, articulated, and extended. It is what scientists are trained to do, and the main tradition in English-speaking philosophy of science derives from the examination of the exemplary works in which that training is embodied. (Kuhn 1970:250)

Research within normal science seeks to articulate "those phenomena and theories that the paradigm already supplies" based on previous achievements accepted as the basis for further practice (Kuhn 1962: 24, 10). Notably, normal science is mainly engaged in mop-up work and solving puzzles. Puzzles are the "special category of problems" chosen by the criterion provided by the paradigm: they serve to test "ingenuity or skill in solution" regardless of the puzzle solving outcome (Kuhn 1962: 35-36, 37). Throughout their careers, scientists are mostly occupied by mopping up operations: the mopping-up framework of normal science is described as an "attempt to force nature into the preformed and relatively inflexible box that the paradigm supplies [...] indeed those that will not fit the box are often not seen at all (Kuhn 1962: 24). According to Kuhn (1962:35, 52), the most remarkable aspect of normal science is that it hardly seeks "to produce major novelties, conceptual or phenomenal": normal science "does not aim at novelties of fact or theory and, when successful, finds none". Grounded on the "assumption that the scientific community knows what the world is like", normal science "often suppresses fundamental novelties because they are necessarily subversive of its basic commitments" (Kuhn 1962:5). Thus, scientists usually do not aim to formulate "new theories, and they are often intolerant of those invented by others" (Kuhn 1962:24).

Overall, normal science emerges as a "quasi-medieval, convergent, tradition-bound, authoritarian" structure (Nickles 2003:5). Kuhn (1962: 24, 37) identifies certain merits in this restrictive framework: it assures continuity in research and education and provides focus and depth to scientific inquiry shielding a scientific community from distractions posed by other problems that are rejected "as metaphysical, as the concern of another discipline, or sometimes as just too problematic to be worth the time. Yet, it

is important to highlight that it is precisely such merits that are often evoked to justify intolerance for alternative frameworks and lack of pluralism which are serious drawbacks for the social sciences, economics in particular. As Kuhn (1962:37) recognised, normal science is thus insulated from “*socially important problems*” that are not reducible to puzzles because they “cannot be stated in terms of the conceptual and instrumental tools the paradigm supplies” [Emphasis added]. The constraints imposed by the structure of the paradigm and those “born from confidence in a paradigm” are essential to the development of science, while an in-built mechanism eases off restrictions if the paradigm fails to function effectively (Kuhn 1962:24).

To wrap up, normal science has two interrelated constitutive elements: the paradigm and the scientific community. Adherence to a shared paradigm shapes a group “of otherwise disparate men” into a scientific community, while a ‘paradigm’ cannot be effectively elucidated without first recognising the “independent existence” of scientific communities (Kuhn 1974:460). In other words, the independent existence of a scientific community is encircled by the paradigm and the shared conceptual and ideational mindset of its practitioners.

In this light, normal science encompasses the “specific state of development of two related but distinct realities, namely, science as a social system and science as a system of ideas” (De Vroey 1975:420). Drawing on this framework, our inquiry examines mainstream economics a) as a paradigm or a system of ideas that is the first component of normal science and b) in terms of the scientific community that shares the paradigmatic constellation of ideas focusing on the practice of the mainstream economics community during the recent economic crisis.

In sum, the recent crisis in Kuhnian terms has exposed a host of anomalies setting a context that challenges the dominant paradigm of mainstream economics. To determine whether the crisis has set in motion a paradigm shift, the starting point of our inquiry is the first component of normal science: mainstream economics paradigm as a system of ideas.

2. THE PARADIGM: MAINSTREAM ECONOMICS AS A SYSTEM OF IDEAS

This section describes and analyses the paradigm of mainstream economics and

its theoretical and methodological underpinnings, arguing that they act as blinders which reduce the explanatory power of the paradigm and limit its prospects for change. The neoclassical premises of the dominant mainstream paradigm like a unifying thread pervade the theoretical/analytic framework, the practice and the teaching of economics. They underscore the anomalies that were exposed by the crisis and ultimately influence the paradigm's ability to change.

2.1. The mainstream paradigm, its basic beliefs and its constitution

In the broadest sense, the term mainstream economics is used in this paper to denote the approach that has acquired a dominant position in contemporary economics as regards the analytical/theoretical framework as well as the practice, research, teaching and the professional stratification of economics. Mainstream economics includes but is not confined to neoclassical economics, which constitutes its bedrock. Lawson (2013:947) remarks that the term neoclassical economics pervades scholarly debates in a loose and rather inconsistent manner to refer to a number of substantive theories and policy options. As Milonakis (2012:246) explains:

Neoclassical economics denotes the body of economic theory that has its roots in the so-called 'marginalist revolution' and has come to dominate modern economic science, especially since the Second World War. It is also variously called orthodox or mainstream economics, although the meanings of these three terms are not identical and vary over time. Neoclassical economics represents the main modern expression of what Marx called 'vulgar economics'.

Mainstream economics encompasses a diversity of successive schools of thought and research programmes. These include the neoclassical synthesis (which amalgamates core neoclassical tenets with Keynesian macroeconomics but leaves out vital Keynesian insights), the monetarist, new classical and new Keynesian approaches as well as the new neoclassical synthesis (NNS) known also as the new consensus in macroeconomics (NCM). Mainstream economics also comprises various non-neoclassical new subfields, focal points and research tracks including behavioural, evolutionary, experimental economics, complexity economics, game theory, neuroeconomics, market design

economics⁸ and others (Davis 2008a).

A number of scholars (Colander, Holt, and Rosser 2004; Colander 2000; Coyle 2010; Davis 2006; Sent 2006) interpret the diversity of new research programmes as a sign of change in method that brings a new pluralism in mainstream economics. The implication is that mainstream economics has itself become heterodox leaving no need for heterodox economics in terms of alternative theories and economists that systematically oppose doctrines held to be true and fundamental by the dominant opinion within a scientific community (Lawson 2003:195; Lee 2008, 2011:542).⁹ In particular, as Milonakis (2009) emphasises, Colander's (2009) call to leave aside the rhetoric of pluralism in favour of an "inside the mainstream" heterodoxy, is essentially a call to "accept the mainstream's own terms of reference" amounting to a "conditional or pseudo pluralism, and as such is no pluralism at all".

To assess the essence of mainstream economics as a dominant "global" paradigm and its readiness to accommodate change, we should examine the entirety of commitments, beliefs, values, practices and techniques of mainstream economics that are shared by the scientific community of its practitioners (Kuhn 1962:175, 1977:294). Shared beliefs are of fundamental importance; they determine the view taken of the subject matter underscoring the "value system applied to the content" and the evaluation of scientific activity (Dow 2007:2). What are, then, the closely integrated commitments, beliefs, values, practices and techniques emanating from the mainstream disciplinary matrix?

⁸ Defined as the engineering domain of economics "intended to further the design and maintenance of markets and other economic institutions", design economics is considered a "natural complement" to game theory together with experimental and computational economics (Roth 2002:1341–42). Design economics examines efficient markets focusing on institutional structure and pricing mechanisms to create efficient markets or reform inefficient ones (Davis 2008a:11).

⁹ The term 'heterodox' is interpreted variously while the boundaries between heterodox and orthodox are seen as blurred and changing over time (Backhouse 2000; Coats 2000; Davis 2008b). Subject matter, schools of thought and methodological similarities are used to demarcate and categorise heterodox economics (Dow 2004; Hands 2001). Dow (2007) discusses heterodox economics as a single school of thought which endorses methodological pluralism and orthodox economics as the school of thought which does not. Lawson (2006:493, 495–7) argues that "the essence of the heterodox opposition is ontological in nature" expounding this view within his theory of social ontology. Both Lawson (2003) and Davis (2003) emphasise the degree to which individuals are embedded in social structures and the inclusion of social structures in the underlying social ontology.

The key shared beliefs that sustain and inspire mainstream economics are predicated upon the neoclassical postulates of rationality, methodological individualism and equilibrium analysis. As Arnsperger and Varoufakis (2006:12, 14) note, the three meta-axioms of methodological individualism, methodological instrumentalism and methodological equilibration define the practice of “any standardly trained economist”: they form the “well hidden, and almost completely unspoken of” foundations of all mainstream approaches in a wide range of academic fields as varied as general equilibrium theory, evolutionary game theory or analytical Marxism. Tightly knit in a complex, these meta-axioms increasingly develop “almost symbiotic, links with one another” (Arnsperger and Varoufakis 2006:12). In other words, they form the foundations of the disciplinary matrix, which is the “common possession of the practitioners of a professional discipline (Kuhn 1974:463). Following Kuhn (1974:463), we can codify the three key axioms as the formal elements or the “symbolic generalisations” of the mainstream disciplinary matrix that are “deployed without question by the group”. First, individual economic agents are the building block of economic explanations. Second, not only individuals are rational but they are rational optimisers in a quite particular instrumental manner.¹⁰ Third, in economics equilibrium is a “central organising idea” (Hahn 1973): quantities supplied and demanded in a particular market reach equilibrium, a state where opposite external forces neutralise each other annulling their respective effects on the system (Kornai 1971; Tieben 2009).

Expanding these generalisations, we can have a better understanding of our paradigm and the logic which firmly binds together its components. Following the definition of economics as “the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses” (Robbins 1935:16), economics became the science of rational choice. As Margaret Archer (2000:36) notes, “rational choice theory requires rational actors: insofar as they deviate by behaving as

¹⁰ According to Michael Friedman (2001:54 cited in Hands 2007:3) as a philosophic term ‘instrumental rationality’ refers to “our capacity to engage in effective means-ends deliberation or reasoning aimed at maximizing our chances of success in pursuing an already set end or goal. It takes the goal in question as given, and it then attempts to adjust itself to environmental circumstances in bringing this desired state of affairs into existence in the most efficient way possible.”

normative or expressive agents, they vitiate the theory”. Hence, mainstream economic explanations deploy rational choice theory—the theory explains rational behaviour— to the extent that any illness in this theory “eventually stands to infect all of economic science” (Hands 2007:2,6). The idea that the instrumentally rational individual is the starting point of economic explanations underpins, in turn, the mainstream belief in microfoundations: all macroeconomic phenomena derive from microeconomic phenomena so that macroeconomics can be reduced to microeconomics and macroeconomic theory can be drawn from microeconomic general equilibrium based analysis (Hoover 2010:329). Defining the very nature of economics as microeconomic implies that any macroeconomic phenomenon will be seen to need a reductive explanation (Hoover 2001:70). Hence, mainstream explanations start from an asocial, ahistorical instrumentally rational individual and are extended to explain macroeconomic phenomena failing to engage with social and historical analytical elements including relations of class and the actual process of social production. As long as economics is defined "purely as a matter of choice" following Robbins, “it can have only an incidental connection with the actual process of social production which is its ostensible subject” (Hobsbawm 1997:106).

The configuration briefly exposed above pulls the mainstream paradigm away from reality and excludes important work that most people would regard as economics including Keynesian theory (Hausman 2008:32). The retreat of economics from realism is reinforced by the discipline’s increasing dependence on the precise modelling of abstract theories in mathematical form (Morgan 2001:14). Rooted in the marginalism of the 1870s, an “increasingly formalistic, axiomatic and deductive analytical framework” characterises the prevalence of neoclassical economics (Fine and Milonakis 2009; Milonakis and Fine 2009:5). As Debreu (1986:1261) argues, “deductive reasoning about social phenomena invited the use of mathematics from the first” and economics was in an advantaged position to take up the invitation. As a result, mathematical economics in the mainstream paradigm were elevated to the “*only possible form* of any scientifically robust theorisation over economic phenomena” (Giocoli 2005:2–3)[Emphasis added]. As Robert Lucas wrote:

[M]athematical analysis is not one of many ways of doing economic theory: It is the only way. Economic theory is mathematical analysis. Everything else is just pictures and talk. (Lucas 2001:9)

This framework is grounded on (and confined within) unrealistic assumptions establishing a tradition “which states basic assumptions and derives the rest from them” (Feyerabend 1991:96). So, assuming perfect competition, perfect information and perfect foresight, rationally choosing and utility maximising individuals engage in exchanges in competitive markets which will achieve equilibrium outcomes: these outcomes “would not only be optimal, but intrinsically stable and capable of ‘self-correction’” (Palma 2009:830). These assertions may be as far removed from reality as possibly conceivable. Yet, as Friedman (1953:14–15) famously argued, higher abstraction levels are not considered as flaws but assets for theories: “To be important [...] a hypothesis must be descriptively false in its assumptions”:

A hypothesis is important if it “explains” much by little, that is, if it abstracts the common and crucial elements from the mass of complex and detailed circumstances surrounding the phenomena to be explained and permits valid predictions on the basis of them alone. (Friedman 1953:14-15)

In sum, confined within the restrictive framework briefly described above, the mainstream of the economics profession over the last 30-40 years practically avoided/refused to consider explanatory templates, tools and research programmes that did not conform to the conceptual premises and the methodological practice of the paradigm.

2.2 The unchanging nature of the paradigm

Why and how does the framework briefly described above affect the mainstream paradigm’s propensity to resist change? Lucas’s phrase “it is the *only* way” points to the mathematisation of the economic method. A belief firmly shared within the mainstream scientific community is that the ‘economic method’ is the superior scientific method and the only method applicable to all social sciences (Rothschild 2000:724). This is the method encapsulated in Gary Becker’s economic approach as follows:

The combined assumptions, of maximizing behaviour, equilibrium and stable preferences, used relentlessly and unflinchingly, form the heart of the economic approach [that] is not restricted to material goods and wants, nor even to the market sector. (Becker 1976:5–6)

So, why change a paradigm that is not only universally applicable to all human

behaviour but also provides a powerful tool in understanding the behavior of other “nonhuman species” (Becker 1993:307)? The notion of universal applicability and scientific rigour fortifies the paradigm and its intolerance to change. Claiming to achieve explanatory unification, mainstream economics contends to have achieved a ‘complete’ all-inclusive theory that is at once micro, macro, static and dynamic notwithstanding the levels of abstraction that inhibit its explanatory and predictive power (Bresser-Pereira 2009:510). The illusion that only one single theory can explain socio-economic phenomena is the bedrock of the hypothetico-deductive (H-D) model of explanation, known also as ‘covering law,’ used in mainstream economics.¹¹ Reliance on the H–D model confined explanation in economics to assumptions/axioms which function as explaining rules precluding change in terms of conceptual development and theoretical innovation (Reuten 1996:40).

The idea of immutability is built in the paradigm as a central belief. The mainstream paradigm conceptualises reality itself as immutable. Future developments in the economy and “future conditional consequences of all possible choices are predetermined” as programmed by natural laws: even if the economy changes over time, human action cannot change future movements that are already predetermined by the fundamental real parameters of the system (Davidson 1996:479–80). Similarly, a belief that integrates the mainstream paradigm is that its basic tenets are uncontradictable. New classical economics, for example, is built around the assumptions that representative agents form forward-looking rational expectations.¹² They possess systemic knowledge about how the economy works and they are ad infinitum optimisers in a frictionless world where markets always clear. In Lucas’s words:

¹¹ Articulated formally by Hempel and Oppenheimer (1948), the H-D or D–N (deductive–nomological) model in its most general formulation, is used to explain “general regularities”, “laws” and specific events that occur at a particular time and place. An event (the explanandum) is explained under at least one general or covering law (the explanans) and a given set of preliminary conditions without any change in other relevant variables. For a detailed discussion see Blaug (1992) and Woodward (2011).

¹² The notion of rational expectations is attributed to John F. Muth who argued that as economic agents have expectations based on the same information with economists, their expectations are essentially the same as the predictions of economic theory (Udehn 2001:240).

[...] all prices are market clearing, all agents behave optimally in light of their objectives and expectations, and expectations are formed optimally (Lucas 1972:103).

These basic tenets are uncontradictable: they are either non-binding because other principles can equally produce “observationally identical” outcomes, or they preclude modifications to the model in models that may reflect “possible, but perhaps 'irrational' behavior” (Hoover 1994:72). This is hardly surprising given that, for over one hundred and fifty years, strong apriorism has been a key methodological standpoint in mainstream economics, which considers economic theories as “being grounded in a few intuitively obvious axioms or principles that do not need to be independently established” (Blaug 1992:249). Apriorism in the mainstream paradigm is linked to both received principles and social practices and defines the inflexible nature of the paradigm (Jones 1994:24):

Economic knowledge is ‘apriori’ insofar as economic propositions are ascribed validity without reference to experience or evidence; it is apriori when a conceptual structure is built on propositions perhaps relevant to time and place, but thereafter inflexible; it is apriori when it is established by uncritical reference to a pre-existing body of theory as the ultimate authority.

Ultimately, strong apriorism restricts theory not only on account of non-empirical categories, e.g. beliefs and expectations, but because the steadfast commitment of scientific community to these beliefs does not allow their adjustment (Hoover 1994:73). In new classical economics, for example, the use of parameters that do not comply with individual optimisation and the school’s central belief in microfoundations and in equilibrium theory is rejected as an “ad hoc” unjustified adjustment (Blaug 1992:231; Hausman 2008:28).

Not only the paradigm with its constellation of beliefs remains immutable within the discipline but it is also part and parcel exported to colonise the entire social science field giving another dimension to Kuhn’s idea of a global paradigm which refers to the paradigm within a science. Fine and Milonakis (2009; Fine 1997, 1999)¹³ discuss in detail the key characteristics, the evolution, the intellectual roots and the implications of economics imperialism that hinges on the application and exportation across the social sciences of the “economic approach”, considered to be the only scientific method

¹³ See also Fine 1999; Fine 1998; Fine 2003. Mäki (2009) treats EI from a philosophy of science viewpoint as an attempt to achieve explanatory unification.

which is applicable to every conceivable aspect of human, social (and animal) activity.

The economics imperialism framework explicates how economics became a monolithic science intolerant of any alternative approach that could challenge its disciplinary matrix. Criticism coming from its own ranks is at best treated with indifference while history of economic thought and methodology are subjected to an “intellectually-barbaric treatment” (Fine and Milonakis 2011:15). Practiced over the years as a paradigmatic tradition by the mainstream scientific community, intolerance of alternative views and research paths naturally inhibits change. Avoiding historical and social analytical perspectives—and structural explanations for the crisis—mainstream normal science free from distractions retains its “drastically restricted vision”: it is forced by the paradigm itself (and confidence in the paradigm) to focus attention on a “small range of relatively esoteric problems” in a detailed and deep manner that “would otherwise be unimaginable” (Kuhn 1962:24).¹⁴ Not by chance, “denial of divergent thought” peaked during the recent crisis (Mirowski 2013:22).

2.3 The paradigm under stress: the crisis

For the past three decades or so, mainstream explanations for dynamic fluctuations that persist over time and space were grounded on the conceptual and methodological premises of the paradigm relying on equilibrium theory, representative agents with rational expectations, and reductionist microfoundations. Drawing on the belief that high levels of abstraction enhance economic theorising (Friedman 1953), modern macroeconomic models omitted key aspects of the economy that were essential in understanding how it works, including involuntary unemployment, money finance, bank failures and the possibility of financial crises. The eruption of the financial and economic crisis in 2008, exposed the macroeconomic theoretical innovations introduced after the 1970s as sources of anomalies in the sense that “anomalies, by definition, exist only with respect to firmly established expectations” (Kuhn 1977:221). Firmly established expectations and beliefs of the paradigm were drastically upset when the crisis tested the new classical rational expectations (REH) (Lucas 1972; Sargent and

¹⁴ Having the physical sciences in mind, Kuhn (1962:24) notes that even if these restrictions, “born from confidence in a paradigm” are defects they are “essential to the development of science”.

Wallace 1975), real business cycle theory (RBC) (Prescott 1986), efficient markets hypothesis (Fama 1970, 1991) and dynamic stochastic general equilibrium (DSGE) models.

The disjuncture between reality and the abstract representations of the above-mentioned theories was laid bare by the crisis, exposing them at best as inadequate to address a major financial and economic disruption. The real business cycle analysis (Prescott 1986),¹⁵ for example, explains fluctuations by shocks that are random and exogenous to technology and productivity denying that money matters or that involuntary unemployment exists (Greenwald and Stiglitz 1993:39–40). In other words, productivity and the rational reaction of individuals to shocks are seen as the ‘real’ variables that cause recession bypassing “nominal” factors such as money, credit and debt (Ormerod 2010). With money and finance assigned minimal role and universally optimal and markets always clearing, the RBC does not refer to a cycle at all. Recessions and depressions are seen as “optimal responses to random shocks”: the economy is in a constant growth rate trend until a shock occurs and it directly adjusts to a new trend leaving little space for policy to address recession (Wray 2011:4).

The financial crisis also shattered the mainstream belief in the efficiency of financial markets as set out by the efficient markets hypothesis (EMH). According to the efficient markets hypothesis (Fama 1970, 1991), security prices fully reflect all available information and they adequately represent market efficiency:

“In general terms, the ideal is a market in which prices provide accurate signals for resource allocation [...] a market in which prices always ‘fully reflect’ available information is called ‘efficient’” (Fama 1970: 383).

Hence, markets that clear continuously are assumed to process information efficiently with prices adjusting to all new information so that investors “cannot make above average returns in the long run on the basis of any generally available information” (Bryan and Rafferty 2005:127). Even before the crisis, empirical evidence from key asset markets indicated serious flaws in EMH. As early as 1978, when EMH was considered to be consistent with data from a wide variety of markets globally, flaws were becoming evident:

¹⁵ Edward Prescott received the Nobel Prize in 2004 together with Finn Kydland.

Yet, in a manner remarkably similar to that described by Thomas Kuhn in his book, *The Structure of Scientific Revolutions*, we seem to be entering a stage where widely scattered and as yet incohesive evidence is arising which seems to be inconsistent with the theory [...] we are beginning to find inconsistencies that our cruder data and techniques missed in the past. It is evidence which we will not be able to ignore. (Jensen 1978:2)

Yet, against all warnings, evidence was ignored. EMH was maintained in its strongest version by the new classical and new Keynesian approaches manifesting extraordinary durability within the mainstream paradigm in macroeconomics and finance as well as in economics education (Buiter 2009; Mirowski 2013:265).

Just like the efficient market hypothesis, the development of DSGE models proceeded as if criticism did not exist and in spite of the empirical evidence and their theoretical weaknesses (Kirman 2009:82). Until the crisis, dynamic stochastic general equilibrium (DSGE) models were thought to represent the macro economy accurately and more scientifically than earlier models. DSGE models are “derived from micro foundations: utility maximization by consumers-workers, value maximization by firms, rational expectations with fully specified imperfections (Blanchard 2008:23–24). In other words, the central tenets and beliefs of the mainstream paradigm are intact while involuntary unemployment, money, finance and banks are ignored as modelling parameters precluding the possibility of major crises that are a recurrent feature of the economy (Kirman 2010:501). Among other things, five major anomalies were identified in DSGE constructions with regard to the economics of high inflation: none of the characteristic high inflation phenomena were predicted by DSGE models including the extreme volatility of relative prices (Leijonhufvud 2009:751). Despite accumulating anomalies, DSGE models represent the high point of formalisation in economics enlisting Bayesian inference, ultra sophisticated computing and electronic hardware.¹⁶ They are not just widely used; they are the crown jewel of major financial institutions such as the IMF:

Nearly every central bank has one, or wants to have one. They are used to evaluate policy rules, to do conditional forecasting, or even sometimes to do actual forecasting.

¹⁶ In the words of former IMF chief economist Blanchard (2008:22, 24), “the number of parameters has been steadily increasing with the power of computers [...] 19 structural parameters and 17 parameters corresponding to the variances and the first order autocorrelation coefficients of the underlying shock processes [...] software such as Dynare, which allows one to solve and estimate non-linear models under rational expectations, to specify and solve large dynamic models at the touch of a button.”

There is little question that they represent an impressive achievement (Blanchard 2008: 24).

As Kuhn (1977:174) observed, “though awareness of anomaly marks the beginning of a discovery, it marks only the beginning.” Not all anomalies lead to significant changes in the paradigm. Yet, anomalies mostly require some action to address them and they often indicate rewarding directions for future research. While qualitative anomalies may be disguised by ad hoc modifications of theory, an established quantitative anomaly “suggests nothing except trouble” also providing a “razor-sharp instrument for judging the adequacy of proposed solutions” (Kuhn 1977:209). The anomalies that relate to EMH and DSGE models qualify as serious cumulative anomalies both in the qualitative and the quantitative sense.

In the light of the foregoing discussion, the emerging question is “How were the anomalies exposed by the crisis addressed?” To answer this question, the next section reconstructs the responses registered by the scientific community of mainstream economists in the wake of the crisis. In other words, following Kuhn (1962:77) we assume that “crises are a necessary precondition for the emergence of novel theories and subsequently ask how scientists respond to their existence”.

3. THE PARADIGM AND CRISIS: MAINSTREAM RESPONSES TO THE CRISIS

Paradigm shifts involve a fundamental change in the way a scientist perceives his or her area of inquiry: a “transformation that fundamentally alters the scientific 'world' in which the scientist lives” (Hands 2001:102). In other words, were the practitioners of mainstream economics ready for a major transformation in their worldview? How did they appraise their role in the context of the 2008 crisis and beyond?

3.1 The paradigm before the crisis: the new consensus in macroeconomics

In the period leading to the financial crisis of 2008, the idea of change hardly occupied the thoughts of the mainstream establishment of the profession. Economists appeared confident that a period of stability and prosperity described as the ‘Great Moderation’ reigned in the economy (Bernanke 2004). The term epitomised how policymakers and central bankers pursued an “illusion” believing that inflation

targeting, financial deregulation, and the fine-tuning central banks' policy rate had combined to create a shock-resistant, stable and flourishing global economy (Argitis 2013:483). The consensus in mainstream macroeconomics was achieved after years of conflict between “intellectual giants” of the new classical and new Keynesian schools (Mankiw 2006:12–13). Synthesising the contributions of real business cycle theory and the new Keynesian approaches, the new consensus in macroeconomics (NCM)¹⁷ embodied convergence in macroeconomics (Goodfriend and King 1997; Woodford 2009). Exerting great influence on economic thinking, NCM decisively shaped macroeconomics and the pre-crisis monetary policy build-up (Arestis 2009). For this reason, few months before the Lehman Brothers crash, Olivier Blanchard (2008:2) declared that “the state of macro is good” assuring that macroeconomics was scene to an exciting period of “great progress”. No one from the mainstream scientific community mentioned the elements that were missing from the consensus: money markets and financial institutions were “not mentioned, let alone modeled” (“no banks, no money”) in the NCM theoretical framework that draws directly from the efficient markets hypothesis (EMH) considering disequilibria such as bubbles as highly unlikely and policy to address them as “financial repression” (Arestis 2009: 10, 13).

The watershed that followed the collapse of Lehman Brothers in September 2008 shattered the ‘Great Moderation’. At the same time, the crisis dealt a severe blow to its academic twin, the great convergence in mainstream macroeconomics contesting its theoretical and methodological precepts. The testimony of Alan Greenspan¹⁸ before the US House of Representatives Committee on Oversight and Government Reform encapsulates sentiments in the immediate aftermath of the crisis:

[T]he whole intellectual edifice, however, collapsed [...] a very solid edifice, and, indeed, a critical pillar to market competition and free markets, did break down. And I think that, as I said, shocked me. I still do not fully understand why it happened. (Greenspan 2008)

In the words of James Heckman, “everybody was blindsided by the magnitude of what happened”—not only Chicago economists but “the whole profession was blindsided” (Cassidy 2010c). A flood shed of response followed the shock questioning the state of

¹⁷ Known also as the new neoclassical synthesis (NNS).

¹⁸ Chairman of the Board of Governors of the Federal Reserve (1987-2006)

economic theory and the role of economists in addressing the crisis. A substantial body of criticism coming from outside the mainstream scientific community investigated various aspects of the ‘economic crisis – crisis in economics’ problematic (Bresser-Pereira 2010; Bryan et al. 2012; Cameron and Siegmann 2012; DeMartino 2011; Fine and Milonakis 2011; Harcourt 2011; Hodgson 2009b; King et al. 2012; Kirman 2009; Kurz 2010; Lawson 2009; Palley 2013; Skidelsky and Wigstrom 2010; Wray 2011; Zamagni 2009).

In this context, the upcoming discussion undertakes a systematic examination and evaluates the intra-paradigm post-crisis responses that followed a shock of such magnitude. The attempt is made to decipher how/if the mainstream establishment of the profession perceived and evaluated the impact of the crisis as regards both the paradigm and scientific community aspects of normal science.

3.2 Mainstream responses

A typical general mainstream response is to assess the crisis itself as an anomaly—an unexpected rare “black swan” phenomenon (Palley 2012:95–96; Zamagni 2009:326), identified Taylor (2008) in the money market. Thus, mainstream economists avoid the need to account for their failure to predict or explain the economic crisis. How can one predict and explain outlier phenomena of “extreme impact” located beyond “regular expectations” (Taleb 2010:xvii) with no past experience to indicate their possibility? As history has shown, however, financial crises are not outstanding rare events (Eichengreen and Bordo 2002; Kindleberger and Aliber 2005). Furthermore, the recent crisis did expose a host of severe anomalies in the Kuhnian sense that are neither resolved nor accounted for by the mainstream establishment. More importantly, as Fine and Milonakis (2011:8) emphasise, the recent economic crisis itself embodies “a huge anomaly with respect to all existing mainstream-theories” that are grounded “on mathematical modelling and the twin assumptions of representative rational agents and the efficient-market hypothesis.”

Such general responses do not address the intense and widespread criticism that questions the performance and the prospects of mainstream economics. Focusing on the inability of the neoclassical paradigm to reconcile theory and reality, criticism

questioned formalism, unrealistic assumptions, modelling techniques as well as the professional practices of economists and economics education. The heartland of the dominant macroeconomics paradigm was questioned including rational expectations (Lucas 1972; Sargent and Wallace 1975), real business cycle theory (Prescott 1986), efficient markets hypothesis (Fama 1970, 1991) and DSGE models. The Chicago School of Economics became a focal point of critique. Divisions within the mainstream establishment appeared as prominent names including Paul Krugman, Richard Posner, Willem Buiter, Brad DeLong and Joseph Stiglitz joined in public disputations. The use of the blogosphere and online media amplified the polemical tones of the debate between economists.¹⁹ In the wake of the crisis, the profession slipped into “uninformed quarrelling” that spread confusion, “degraded the quality of the discussion” and hindered policy responses, wrote Krugman (2012), one of the most prolific blogosphere contributors.

Did the collapse of the entire mainstream ‘intellectual edifice’ spark a process of change? How did mainstream economists perceive the effects of the crisis? How were anomalies perceived and addressed? Following Fine and Milonakis (2011), our discussion identifies three broad categories of reaction by mainstream economists. Having in mind the overlaps in an extensive and fragmented debate, the attempt is made to identify the most representative views in each category and distil their implications for the prospect of change in mainstream economics. Another caveat is that substantial part of the debate was confined to policy discussions revolving around potential preventive pre-crisis and corrective post-crisis measures. Compared to the policy content of the debate, discussion on theory and substantial reform for economics tended to be sparse. The proceedings of a conference published under the title *In the Wake of the Crisis: Leading Economists Reassess Economic Policy* (Blanchard et al. 2012) provide a case in point. Seeking answers to crucial post-crisis questions around six

¹⁹ Samples include David Levine to Paul Krugman: “Speak for yourself kemo sabe. And since you got it wrong—why should we believe your discredited theories?” (Levine 2009); “John Cochrane does not know this consensus theory. Edward Prescott does not know this consensus theory. Eugene Fama does not know this consensus theory but somehow thinks the equilibrium condition that is the savings-investment identity is also a behavioral relationship” (DeLong 2009). For a detailed account see Mirowski (2010, 2013).

themes,²⁰ all twenty-three essays by Nobel laureates, major academics, and policymakers engage in a technical examination of policy and crisis governance without any critical inquiry into core theoretical and analytical issues that bear upon policy.

The three intra-paradigm response groups are categorised according to the content of their responses. The first group (a) rejects criticism, declines any professional responsibility and denies that the crisis exposed critical flaws in the theoretical and methodological mainstream apparatus. Expressed mainly by leading exponents of the Chicago school, this viewpoint represents a hard ‘loyalist’ orthodox defense line. It directly advocates letting things be and ‘change nothing’ since nothing was revealed to be wrong with mainstream economics. The second group (b) of ‘moderates’ adopts a more discerning attitude conceding that the crisis did challenge some aspects of mainstream economic theorising and practice. Scholars in this group, however, do not anticipate or discuss any change considering that the paradigm emerged fundamentally unscathed from the crisis. The third ‘insider critics’ group (c) voices strong criticism recognising misguided conceptual/methodological choices in mainstream theorising and flaws in policy choices during the build-up to the crisis. Mainstream economists in this category propose remedies to rectify mistakes and improve the mainstream toolkit. Within the third category, we can identify a subgroup which favours a “more genuine return to Keynes” evoking hitherto forgotten aspects of Keynesian economics (Fine and Milonakis 2011:17-18).

a) Loyalists: all is well, no change

*I don't know what a credit bubble means. I don't even know
what a bubble means.*

Eugene Fama, interviewed by John Cassidy

The hardline mainstream responses mainly come—but are not confined to—from major Chicago school economists following strong criticism from ‘within’ Chicago by Richard Posner (2009a, 2009c) as well as Krugman’s (2009b) attack on the Chicago

²⁰ The six themes are monetary policy, fiscal policy, financial intermediation and regulation, capital-account management, growth strategies and the international monetary system.

core, efficient markets and rational expectations in particular. The integrating defense line in this response group is to wholly absolve the mainstream paradigm and its practitioners of any responsibility. A recurrent theme is that markets are both unpredictable and unbeatable conveying a sense of mystification. In other words, markets are powerful, efficient and the best purveyors of knowledge but at the same time they are capricious and beset by unpredictable irregularities. Hence, the knowledge and explanatory power of the paradigm appears inherently limited in the face of bubbles and other unexpected phenomena of financial disruption. As Kevin Murphy emphasises:

The fact is that much of the variation in the market is unpredictable. In finance research, it's a major victory if you can explain half of one per cent of the price variation with your model. The idea that you can't beat the market, or predict it—that part of the efficient-markets hypothesis is very much alive and well. (Cassidy 2010e)²¹

Thus, in typical normal science mode, only phenomena supplied by the paradigm can be articulated: “No part of the aim of normal science is to call forth new sorts of phenomena; indeed those that will not fit the box are often not seen at all” (Kuhn 1962:24, 10).

The hard line ‘change nothing’ attitude reveals how key practitioners of the mainstream paradigm insist that the paradigm performed adequately in forecasting and explaining the crisis without recognising any anomalies. In his article titled *How Did Paul Krugman Get It So Wrong*, John Cochrane (2011:39, 36) describes the efficient markets hypothesis as “probably the best-tested proposition in all the social sciences” arguing that its “central empirical prediction” is specifically that market behaviour is unpredictable. Evoking Hayek, Cochrane (2011: 39, 37) asserts that no one can “fully explain” market volatility and dismisses Keynes to conclude that “the problem is that we don’t have enough mathematics. Mathematics in economics serves to keep the logic straight” and ensures logical consistency, which is the ultimate “siren of beauty”. Asked what is left from efficient markets and rational expectations after the crisis, Cochrane replies that everything remains standing (Cassidy 2010d). According to Eugene Fama, the main promulgator of the efficient markets hypothesis (Fama 1970, 1991), the theory

²¹ The *New Yorker's* economic journalist John Cassidy in a series of interviews investigated the reaction of major Chicago school economists as regards criticism directed against efficient markets and rational expectations as well as their assessment of anti-crisis policy measures e.g. bank rescue (Cassidy 2010a).

“did quite well” during the crisis which is precisely “what you would expect if markets were efficient” (Cassidy 2010a). Precluding any changes in economics as a legacy of the crisis, Fama appears mystified and professes agnosticism regarding economic knowledge:

We don't know what causes recessions [...] That's where economics has always broken down [...] We've never known [...] Economics is not very good at explaining swings in economic activity. (Cassidy 2010a)

In a similar vein, Thomas Sargent (2010) defends real business cycle models and new Keynesian models against misdirected criticism which fails to understand “the purpose for which those models were devised”. He argues that economists need to “learn and use some math” to account for uncertainty and ambiguity: to know more about bubbles we need “well-confirmed quantitative versions” of relevant models. Eric Maskin (2010) flatly rejects criticism that “economic theory failed to provide a framework for understanding this crisis” and suggests a reading list for policymakers. In Lucas's (2009) view, the principal lesson as regards efficient markets hypothesis is “the futility of trying to deal with crises and recessions”: “anomalies” that have been exposed by the crisis are too small to matter for macroeconomic analysis. “Like Bob Lucas”, Robert Barro (2009b), too, could not take “seriously the view that the financial and macroeconomic crisis has diminished economics as a field”. Seeing no evidence that mainstream models “led policy makers astray or were a cause of the financial crisis”, John Taylor (2010, 2014b) defends mainstream theorising (and his own work), blaming policymakers for failing to apply recommendations and concludes that “the crisis does not call for a new paradigm”. Chicago economist Casey Mulligan (2009) does not think that macroeconomics is “off track” and notes that economists often suspect that markets do not function efficiently. Against Krugman, he defends the neoclassical growth model which has “neither money nor fiscal policy” and gives examples of its application to the current and previous recessions.

To sum up, the ‘no change’ hard line response group steadfastly rejects criticism directed against the performance of mainstream economics vis-à-vis the financial crisis and absolves mainstream theorising and the profession of any responsibility. For this group, the possibility of any previous oversight over the last 30 years is inconceivable and anomalies are not recognised. Cochrane makes this point abundantly clear in his

response to Krugman:

Pretty much all we have been doing for 30 years is introducing flaws, frictions and new behaviors, especially new models of attitudes to risk, and comparing the resulting models, quantitatively, to data. The long literature on financial crises and banking which Krugman does not mention has also been doing exactly the same. (Cochrane 2011:39)

As views surveyed above demonstrate, the hardline mainstream establishment reiterates that all is well and envisages no change for post-crisis economics other than to uphold the existing paradigm and fortify its mathematical toolkit and quantitative orientation.

b) Moderates: Problems recognised, no change

Yeah, markets aren't fully efficient. Expectations go wrong [...] There are a lot of things that people got wrong, that I got wrong, and Chicago got wrong. (Gary Becker)²²

In this group, James Heckman (Cassidy 2010c) concedes that the crisis exposed “some” anomalies mainly in rational expectations and efficient markets hypotheses which lack in empirical content: the dogmatic “culture of efficient markets—on Wall Street, in Washington, and in parts of academia, including Chicago” had caused pre-crisis warnings to be ignored so that “the whole profession was blindsided”. Asserting that the bedrock of the Chicago “rocket” is standing intact, Heckman attributes the exposed anomalies to scholars who neglected Friedman’s solid Chicago legacy of matching ideas with data.

Raghuram Rajan (Feldman 2009) recognises that market inefficiencies have been unveiled and cites problems which confirm his pre-crisis warnings (Rajan 2006) about the imminent downturn. He mentions a “sense of market infallibility” which pervaded the economics profession (and regulators) combined with prioritising the private sector over regulation. According to Rajan, rational expectations in macroeconomics and efficient markets in finance came under attack because of their dominant position rather than their “specific failings”. Rajan asserts that rational expectations remain a convenient and useful tool even if macroeconomists overlooked its “plumbing”. Hence, the natural reaction is now to compile models which have the

²² Cassidy, John. 2010. “Interview with Gary Becker.” *The New Yorker Blogs - January 14*. (<http://www.newyorker.com/rational-irrationality/interview-with-gary-becker>).

details of the plumbing. Referring to behavioural research on inefficient and irrational markets, Rajan thinks that the profession as a whole does not deserve blame. For Luigi Zingales (2010:31), the 2007–2008 financial crisis has only marginally affected the intellectual foundation of the efficient markets theory because it has not provided significant new evidence on the deviations of markets from fundamentals. Thus, the recent crisis, has weakened mainly “the already-losing side of hard-core believers in the EMT”. Noting that we must learn to live with the idea of inefficient markets, Zingales recommends rethinking but not abandoning the EMT because it still holds useful insights and he professes his own mystified agnosticism:

This is the uncharted territory where the crisis leaves us: a world where confidence in the rationality of the market is shaken but where there is no clear, viable alternative. Eventually, a grander theory will emerge, one that will enable us to understand when we should expect market prices to deviate from fundamentals. At the moment we can grasp only some elements of this theory. (Zingales 2010:37–8)

Defending his work and the rationality principle, Gary Becker rejects the idea that the profession will be affected by the crisis noting that people are already working to understand the financial crisis even if “forecasting major events like that is very hard to do in any field” (Herfeld 2012:74). He emphasises that, above all, economists “have to understand that they could end up interfering with the natural recuperative powers of the economy” (Milken 2009:53). Becker carefully balances a measured critique with the exoneration of the Chicago theoretical core and his mentor Friedman²³ acknowledging “some theology built into the efficient-markets literature” that prevailed over empirical evidence but left its “real heart” intact (Cassidy 2010b). Describing as “extreme” the view that markets “were always efficient”, Becker recognises Lucas’s key contribution but remarks that some “simplistic” dynamic general equilibrium models and “their builders” assumed crises out failing to understand new financial instruments such as derivatives or mortgage-backed securities that ultimately tested EMH:

Systemic risk. I don’t think we understood that fully, either at Chicago or anywhere else [...] Maybe some of the calls for deregulation of the financial sector went a little too far, and we should have required higher capital standards, but that was not just Chicago. (Cassidy 2010b)

²³ Becker argues that market economists including his mentor Milton Friedman have ardently supported more government intervention during the Depression and claims that Chicago was never pro-zero regulation: Chicago people “always believed there was a significant role for government, and not simply in the obvious areas, like law and the military, and so on” (Cassidy 2010c).

Becker defends the use of mathematics and the rationality principle because despite the contributions of behavioural economics, we need the “rationality assumption” to explain why “people prefer more to less, which in turn helps us to understand market outcomes and explain prices” (Herfeld 2012:77, 85). Therefore:

If you want to abandon rational choice theory altogether, you have to substitute it with a new framework, and I do not see any new framework available at the moment—neither in the behavioral economics literature nor anywhere else—that has comparable explanatory and predictive power. That is the test. (Herfeld 2012:78)

Regarding the future, Becker thinks that economists will “improve macro” and appears confident that the recent crisis—being much milder—did not at all warrant a “revolution in economic thinking” comparable to what prevailed for decades after the Great Depression (Cassidy 2010b).

c) Insider critics: change something – repair and continuity

Although economists have much to learn from this crisis, I think that calls for a radical reworking of the field go too far. (Bernanke 2010:2)

Featuring strong criticism coming from prominent mainstream ‘dissenters’ including Krugman, Stiglitz, DeLong and the Chicago jurist and economist Richard Posner, this viewpoint identifies oversights and anomalies in pre-crisis mainstream theorising and acknowledges predictive and explanatory failure. Views and discourse from both academics and policymakers in this response group range from mild critiques that recognise the issues raised by the crisis to harsher attacks. Macroeconomic theory emerges as the main target of criticism focusing particularly on efficient markets and rational expectations hypotheses, real business cycle theory and DSGE models including their unrealistic assumptions, particularly the representative agent, rationality, perfect markets, the neutrality of money and policy ineffectiveness (Ascari 2011:18; Wray 2011:7). Among other things, mainstream modelling techniques, finance theory, lack of research in microeconomics and neglect of behavioural insights in economic analysis emerge as problematic areas. Yet, these are treated mostly as minor anomalies by this group. The integrating idea in this response group is to limit change to what essentially amounts to Kuhnian mopping up operations to patch flaws and anomalies exposed by the crisis. In other words, prospective changes should ensure continuity without involving any radical shift in the mainstream paradigm.

More specifically, recognising that the crisis challenged “important economic principles and research agendas”, Bernanke (2010:10) argues for continuity in the mainstream paradigm and some repairs claiming that the mainstream tradition of research and analysis can fix any anomalies by attentive research on asset price bubbles, market liquidity, uncertainty and modeling human behaviour. In Bernanke’s view, the problem is technical: rather than flaws in mainstream theorising, the crisis exposed a “failure of economic engineering and economic management” (p.3). Willem Buiter (2009) launched a much more terse criticism against the “uselessness” of most mainstream theoretical macroeconomic advances and research since 1970,²⁴ which he describes as follows:

Self-referential, inward-looking distractions at best. Research tended to be motivated by the internal logic, intellectual sunk capital and aesthetic puzzles of established research programs rather than by a powerful desire to understand how the economy works—let alone how the economy works during times of stress and financial instability. So the economics profession was caught unprepared when the crisis struck. (Buiter 2009)

Buiter shares with many of his peers the belief that the future lies in behavioural approaches drawing on empirical studies that would examine how market actors respond to changing environments.

A sharp insider critique comes from the eminent Chicago law professor Richard Posner²⁵ who berates economists—starting with Lucas—for overconfidence in rational expectations hypothesis, efficient-markets and the real business cycle theories that have proven to be mistaken (Posner 2009a). Describing modern economics as a dangerous mix of mathematics and gullibility about self-regulating markets, Posner reprimands business and academic economists as well as policymakers and regulators for ignoring warnings about finance deregulation and for overlooking a host of parameters such as uncertainty, the possibility of bubbles, market imperfections, irrational market actors, institutional specificity in markets and the limited self-healing powers of laissez-faire

²⁴ Buiter (2009) cites the new classical rational expectations revolution associated with Lucas Jr., Prescott, Sargent, Barro etc, and the new Keynesian approach of Michael Woodford, the manifest failure of the EMH and others.

²⁵ Posner, a member of the neoliberal Mont-Pèlerin society, is a central figure in the Chicago ‘Law and Economics’ movement advocating the application of rational choice models to law and a key exponent of the regulatory ‘capture theory’ on the transformation of a regulatory agency into an anticompetitive tool of the regulated industry (Van Horn 2009).

capitalism (Posner 2009a, 2009b). Yet, Posner's scathing critique is not accompanied by a comparable strong advocacy in favour of reorienting economics leading Solow (2009) to describe Posner's suggestions as a "laundry list" rather than "a blueprint for reform". Declaring that he has now become a Keynesian, Posner (2009c, 2009b) calls for reform that will reactivate Keynesian and behavioural insights.

One of the most vocal insider mainstream critics, Krugman (2009a, 2009b), too, proposes to reorient economics away from the current "Dark Ages" by reviving Keynesian ideas in theory and policy and pursuing work in behavioural finance. Using to advantage his influential public profile over the cyberspace, Krugman argues that "most macroeconomics of the past 30 years was spectacularly useless at best, and positively harmful at worst". Freshwater economics²⁶ had developed into a cult that disregarded and ridiculed ideas not conforming to its paradigm; hence, change can only emerge from within requiring "patient empirical spadework, documenting crises past and present, in the hope that a fresh theory might later make sense of it all" (Krugman 2012; *The Economist* 2009:65,67).²⁷ Notwithstanding Krugman's polemical tone and the problems he identifies, his vision of change remains fundamentally constrained within the core of the paradigm, confirming the view that mainstream economics can be fixed with measured doses of remedy that ensure continuity. The following passages reveal Krugman's understanding of the nature and the scope of change within continuity:

The brand of economics I use in my daily work – the brand that I still consider by far the most reasonable approach out there – was largely established by Paul Samuelson back in 1948 [...] It's an approach that combines the grand tradition of microeconomics, with its emphasis on how the invisible hand leads to generally desirable outcomes, with Keynesian macroeconomics. (Krugman 2010)

²⁶ Krugman repeatedly discusses diverging viewpoints in terms of a saltwater–freshwater split (designating scholars in coastal and inland US universities, respectively). Saltwater scholars "continued to view Keynes as broadly right" even without rigorously justifying some of their assumptions while "freshwater" people pursued unrealistic modelling at odds with "lived" experience (Krugman 2012).

²⁷ Stiglitz and Krugman were asked about the future of economic thinking at an INET event. Krugman once more advocated empirics and humility in believing your own models. Stiglitz observed that lots of empirical work was done in the last 30 years but it was guided by bad theory that blinded researchers who saw all the empirics with exclusively with one lens (INET:Conversation on the State of the Economy 2012 - video at <http://tinyurl.com/hgbllz5>).

I like to think that I am more open-minded about alternative approaches to economics than most, but I am basically a maximization-and-equilibrium kind of guy. Indeed, I am quite fanatical about defending the relevance of standard economic models in many situations. (Krugman 1996)

Another outspoken celebrity critic, Joseph Stiglitz argues that a new paradigm is needed and proposed a more precise change agenda. Stiglitz (2010a:1) enumerates the flawed methodological assumptions of the prevailing paradigm and links them to “miserably failed” policy precepts and recommendations. Echoing his analysis in *Freefall* (Stiglitz 2010b), he itemises a list of critical methodological problems that underscore “much of the standard paradigm”: the representative agent tops the list which includes equilibrium/disequilibrium, rationality, microfoundations and methodological individualism (Stiglitz 2010a:3-8). Mainstream theoretical assumptions are criticised in relation to efficient markets, rational expectations and models; the emphasis is on Stiglitz’s own contribution to information asymmetries and incomplete markets. In Stiglitz’s (2010d) view, rather than flaws in economic theory, “the free marketeers” were to blame for not paying attention to his work on imperfect and asymmetric information:

[E]conomic theory never provided much support for these free-market views. Theories of imperfect and asymmetric information in markets had undermined every one of the ‘efficient market’ doctrines, even before they became fashionable in the Reagan-Thatcher era. Bruce Greenwald and I had explained that Adam Smith’s hand was not in fact invisible: it wasn’t there. [...] Free marketeers, and the special interests that benefited from their doctrines, paid little attention to these inconvenient truths. (ibid.)

Stiglitz’s critique can be seen as typical of the trend identified by Mirowski (2013:157) that in post-crisis debates economists from the Hayekian ultra right to the “legitimate left” including the “polemical” Stiglitz who declared that the crisis confirms their own research and their preferred economic theory implying that substantial change in economics is not needed. In sum, while Stiglitz urges for a new paradigm, his change agenda reiterates the repair and continuity outlook that is common to all the insider critic responses. The message delivered by Stiglitz’s critique is to refurbish macroeconomics and fix flawed models by building on the tremendous progress of the last thirty years to create what he calls a ‘New Macroeconomics’ (Stiglitz 2010a, 2010c, 2011a):

The New Macroeconomics will need to incorporate an analysis of risk, information, and institutions set in a context of inequality, globalization, and structural

transformation, with greater sensitivity to assumptions (including mathematical assumptions) [...] It will have to be predicated on an understanding that in the presence of imperfect information and incomplete risk markets, market economies are not necessarily either efficient or stable [...] New policy frameworks need to be developed based on this new macroeconomic modeling. (Stiglitz 2011a:636–73)

Jeffrey Sachs considers change in terms of broader global issues. Sachs (2009:8,5) urges for a new “structural” macroeconomics which must shed outmoded “operating assumptions” engaging with poverty reduction, education, food, energy, and climate to ensure sustainable recovery and development. While all these are important issues, Sachs’s account does not specify the theoretical and conceptual changes required for his proposed reorientation of mainstream macroeconomics. Another insider critic, Barry Eichengreen (2009) uses strong language to denounce, among other things, economic models as “weapons of economic mass destruction”. He hints at economists’ conflicts of interest and “generous speaker’s fees” for those “prepared to drink the Kool-Aid”. He describes in gloomy tones the prelude and the early aftermath of the crisis. Yet, he finds nothing fundamentally wrong with modern economic theory despite the “generic problems that created our current mess” and the “structural weaknesses and conflicts of interest that paved the way to our current catastrophe” (Eichengreen 2009). In Eichengreen’s view, recent advances such as complexity economics, behavioural research, information economics and agency theory bring hope for the future while new emphasis on empirical work and the IT revolution herald a “quiet revolution” to the practice of economics, paving the way for the inductive economics of the 21st century.

According to Daron Acemoglu (2009:185–6, 194), the financial crisis has partly caused an “embarrassment for economic theory” and the economics profession was “partly complicit in the buildup” to crisis; nevertheless, economic theory has still has a lot to teach us and economists still have important things to say. Therefore, it is not right to “condemn wholesale” even the financial innovations that were involved in the crisis as they have been extremely productive and will continue to be with the right regulations. Warning against the “risk that belief in the capitalist system may collapse”, Acemoglu (2009:191–3, 187–8) evokes Schumpeter to note that capitalism as a process of creative destruction, needs “institutions that allow for innovation” and a better framework for regulation and reallocation of resources such as reallocating funds or highly skilled workers from the financial industry towards more innovative sectors.

Diane Coyle, another ‘enlightened’²⁸ insider, spots a “gaping vacuum in macro-economics” and emphasises macroeconomists’ failure to learn from the progress in microeconomics (Coyle 2010:264). Yet, Coyle (2012a:7, 11) believes that attacks on mainstream economics do not warrant a Kuhnian paradigm shift in economics: she feels that recent radical changes prove that mainstream economics was “never monolithic” having resolutely left some neoclassical assumptions to shift its central focus from theory to applied work, from macroeconomics to microeconomics, and “from abstraction to institutional and behavioural detail”. Coyle (2013) advocates moving economics away from abstraction towards a “deeply, genuinely empirical subject, not a playground for competing political philosophies”. Like previous ‘insider’ critics, Coyle delineates a path of change confined to mop up repairs that ensures the continuity of the paradigm. This path retains unchanged the neoclassical core elements of mainstream methodology with first and foremost rational choice and the use of equilibrium in modelling:

If these are limitations, so be it: every subject has core restrictions in its methodology, which in fact represent its strengths and distinctive insights. It’s not that we believe that everybody chooses rationally all the time—on the contrary, the most orthodox of economists is interested in learning from behavioral research. Nor do we think the economy is always in equilibrium [...] Nevertheless, both elements are core to our way of thinking. Rational choice is distinct from self-interested choice, but self-interest too is a powerful assumption. (Coyle 2010:266)

Having examined the responses to the crisis coming from within the scientific community, our inquiry next focuses on this particular community and its characteristics pursuing our argument that institutional/sociological parameters constrain the prospect of paradigm change in mainstream economics and inhibit the generation of new knowledge.

²⁸ Diane Coyle, OBE, is the head of “Enlightenment Economics”, a consultancy specialising in innovation, competition policy, corporate governance and institutional reform and the economic and social effects of new technologies (<http://www.enlightenmenteconomics.com/>).

4. THE SCIENTIFIC COMMUNITY: THE ECONOMICS PROFESSION IN CRISIS

4.1 The scientific community and the ‘sociological base’ of the paradigm

In Kuhn’s account of the scientific community, the social context of science emerges as indispensable in understanding science. Even if Kuhn was not concerned with the social sciences, his account of the scientific community offers a framework that can help make sense of the responses of the mainstream economics establishment as regards the role of the profession in the face of the recent economic crisis.

As intimated previously, Kuhn increasingly recognised the importance of scientific community (Kuhn 1962: 176).²⁹ In the *Postscript to The Structure*, Kuhn (1962 [1969]: 176) remarks that were he to rewrite the book he would start with a discussion of the community structure of science. Replying to critics like Lakatos who had “misconstrued the sociological base” of his position, Kuhn (1970:240–41) emphatically explains that his unit of reference is “the normal group rather than the normal mind”: “there are no ideal minds, and the ‘psychology of this ideal mind’ is therefore unavailable as a basis for explanation”. As noted by Margaret Masterman (1970:65–7), it is the ‘sociological sense’ that defines the originality of Kuhn’s notion of a paradigm integrating many of Kuhn’s different uses of the term ‘paradigm’.

According to Kuhn (1962:177, 1977:296), a scientific community consists “of the practitioners of a scientific specialty.” In his *Second Thoughts on Paradigms*, Kuhn (1974:460–61) asserts the “close proximity, both physical and logical” between a ‘paradigm’ and a ‘scientific community’: “A paradigm is what the members of a scientific community, and they alone, share”. In other words, paradigms and scientific communities are inextricably linked together: “paradigms are the core commitments of scientific communities, whose boundaries are defined by their shared acceptance of a paradigm” (Rouse 2003:104–5). The members of the community:

See themselves and are seen by others as the men responsible for the pursuit of a set of shared goals, including the training of their successors. Such communities are

²⁹ One of the three types of paradigms distinguished by Margaret Masterman is the sociological paradigm (Masterman 1970:65).

characterized by the relative fullness of communication within the group and by the relative unanimity of the group's judgment in professional matters. (Kuhn 1974:461)

What shared elements, then, ensure “the relatively unproblematic character of professional communication and for the relative unanimity of professional judgment” (Kuhn 1974:462)? How does one come to hold the paradigm “as the result of a process of social acculturation” (Hands 2001:105)?

According to Kuhn (1970:271–72, 1974:463), the members of the scientific community are bound together by their commitment to shared theoretical beliefs, values, instruments, concrete problem solutions and techniques, and the metaphysics of the paradigm which make up the three main constituents of the disciplinary matrix, namely symbolic generalizations, models, and exemplars: these are central to the “cognitive operation of the group” and ensure unproblematic communication within the group. The common traits binding together members of the community also include similar educations and similar “professional initiations”; “to a remarkable extent the members of a given community will have absorbed the same literature and drawn similar lessons from it” (Kuhn 1974:461). Moreover, the scientific community “functions as a producer and validator of sound knowledge” and provides education based on the three components of the disciplinary matrix: the symbolic generalizations, the models and the exemplars (Kuhn 1974:463, 1977:298). The practitioners of a science refine concepts, develop complex equipment as well as an “esoteric vocabulary and skills” that progressively professionalise the field leading at the same time to a rigid science (Kuhn 1962:64).

Emphasising the “theory-ladenness” of observations, Kuhn points out that the paradigmatic lens determines what and how scientists see: trained in the tradition of the paradigm, the members of a scientific community do not just ‘see’; they ‘see as’ through the interpretative lens of the paradigm (Hands 1997:103). Moreover, the paradigm provides the scientific community with a criterion for choosing which problems to work on. As long as the paradigm is taken for granted, problems “can be assumed to have solutions” and to a great extent “*these are the only problems* that the community will admit as scientific or encourage its members to undertake” (Kuhn 1962:37)[Emphasis added]. So, in the course of normal science, a scientific community becomes a vastly “efficient instrument for solving the problems or puzzles that its

paradigms define” (Kuhn 1962:166). Ultimately, then, paradigm change emerges as a social process underscored by changes in the beliefs prevailing in a scientific community and not as a transformation that could be explained by “any simple ‘rules’ of proper scientific method” (Hands 2001:102).

In this light, following Kuhn (1970:249) we next examine how a “particular constellation of beliefs, values, and imperatives” affected the behaviour of the scientific community vis-à-vis the recent financial and economic crisis.

4.2. The mainstream scientific community and the crisis

Notwithstanding the intensity of the debate inside and outside mainstream economics, the scientific community largely exhibits detachment, severe myopia and amnesia as regards its role and responsibility in the face of the crisis. Overall, a sense of detachment pervades mainstream responses, including those coming from ‘insider’ critics; as if the scientific community and the paradigm were separate realms rather than the two closely interrelated aspects of normal science. Disinvolvement is implied when mainstream economics practitioners profess agnosticism claiming insufficient knowledge about the future and mysterious unpredictable phenomena such as crises, bubbles and black swans (Cochrane 2011; Taylor and Williams 2008). Agnosticism goes hand in hand with the mainstream ‘accident’ hypothesis to explain the crisis as the result of contingent actions by “real economy actors” (Gowan 2009). In fact, across all response groups, bankers, mortgage borrowers, policy makers, regulators, risky investors, ratings agencies and so on emerge as the guilty parties—as if these individuals were recruited from the ranks of heterodox economics. Seventeen laureates attending the 4th Nobel Laureates Meeting on Economic Sciences in Lindau, Germany³⁰ identified regulators, politicians, ratings agencies, greed, too-big-to-fail banks and moral hazard, irrational and exuberant investors, risky financial products and defective models as responsible for the crisis (Thoma 2011). Similarly, the crisis is seen as a “massive

³⁰ This event brings together Nobel laureates in economics with young economists from all over the world aiming to enhance personal dialogue between scientists across generations and cultures. (<http://www.lindau-nobel.org/>). See also the 2011 Annual report of the event at <http://www.mediatheque.lindau-nobel.org/publications/34842/annual-report-2011-economics>

institutional failure, involving financial institutions, regulators, rating agencies, and international organizations” as well as a deficient international regulatory and supervisory framework for the financial sector (Ortiz 2012).

Thus, rhetoric of blame and accountability incriminates individuals or professional groups instead of in-depth critical self-reflection regarding the role and the responsibility of the profession. Post-crisis discussions are channeled towards policy issues evading critical reflection on the role of the scientific community and its theoretical commitments—as if these were unrelated to flawed policy recommendations. Insider critics (Buiter 2009; Krugman 2009b; Posner 2009b) also name and shame their colleagues of the hardline mainstream establishment:

And at this point I think it important to call out Robert Lucas, Richard Posner, and Eugene Fama, and ask them in the future to please do at least some of their homework before they talk nonsense. (DeLong 2011)

The mainstream discourse of individual blame is typical of capitalism as it “both blames and exculpates, disclaiming responsibility in the name of responsibility” (Pludwin 2011:469). Ultimately, exoneration comes in many guises and for all. Regulators are “only human” and “got caught up in the same bubble mentality as investors” failing to deploy their authority (Becker and Murphy 2009; Cochrane 2009:35). Mistakes made by economists are largely due to the inherently difficult economic issues they confront: hence we should not exaggerate in thinking that the profession could have done something to avert economic disaster (Posner 2009b).³¹ Even if policy was mistaken, mistakes were “small, forgivable under the circumstances and may not have done much harm” (Blinder 2014). Myopia and amnesia combine to foster absolution. More specifically, four years after the momentous events of 2008, the cream of the mainstream establishment (twenty-three Nobel laureates, prominent academics, and policymakers) in a volume of collected essays on the crisis (Blanchard et al. 2012) focuses on policy issues and hardly finds anything worth mentioning about the role of the profession. Six years after the crisis, the role of the scientific community and the paradigm is wholly forgotten. In a collection by the Hoover Institution (Baily and Taylor 2014), ‘expert’ contributors such as John Taylor, Larry Summers, John

³¹ Posner’s conclusion comes after his scathing attack on Lucas.

Cochrane, Alan Blinder, and Michael Bordo analyse the causes of the 2008 financial crisis. They wonder why recovery is so slow to come in a debate wholly devoid of any sense of critical reflexion about the profession and its paradigmatic constraints.

Referring to wrong theoretical choices, insider mainstream critics have been more vocal in criticising economists for failing to predict the crisis and deliver warnings as well as for providing flawed policy advice before and after the crisis (Acemoglu 2009; Buiter 2009; Colander et al. 2009; Eichengreen 2009; Krugman 2009b, 2011). The wrong theoretical choices made by economists, however, largely refer to EMH, REH and the DSGE models that were identified as ‘usual suspects’ previously in this paper. Acemoglu (2009) deplores how economists wrongly “equated free markets with unregulated markets” allowing regulators, “their policies and rhetoric set the agenda for our thinking about the world and, worse, perhaps, even for our policy advice”. The problem, Eichengreen (2009) writes, was “a partial and blinkered reading” of the literature; economists—like regulators—were hit by a syndrome of ‘cognitive capture’. Censuring economists for over-confidence and hubris that created blind spots, Rodrik (2009) emphasises that the sociology of the profession needs fixing as economists have too often acted not as analysts but as ideologues. He does not, however, offer any suggestions as to what is wrong with the sociology of the profession or how to fix it.

The foregoing discussion demonstrates the reluctance of mainstream economists to engage in critical self-reflection about their role or accept that the crisis had implications for the profession and its standing. This unwillingness is confirmed by a recent comprehensive survey (2007–2009) of conference proceedings, academic journals, articles and interviews in printed and online media as well as economic blogs showing that at best the profession recognises some macroeconomic assumptions as flawed but refrains from in-depth self-criticism (Negru 2013). While all practitioners profess to be critically self-reflexive, Negru (2013) points to a major problem, namely the reluctance of the profession to identify the terms of self-criticism and recognise the institutional constraints of the discipline. In all, the economics profession emerges as unwilling to respond to the crisis in any “sense that it should change”: it chooses to go on with current practices with minor changes such as “some mainstream researchers moving from the periphery of the mainstream to the center, and others moving the other

way” (Colander 2010:242).

Why is this case? Why does the mainstream economics scientific community resist change?

4.3. The scientific community and its constraints: resistance to change

The type of question I ask has therefore been: how will a particular constellation of beliefs, values, and imperatives affect group behaviour?

(Kuhn 1970:249, Reflections on my Critics)

Capitalism without failure is like religion without sin.
(Meltzer 2007)

Myopia vis-à-vis anomalies and resistance to change exhibited by the mainstream establishment as a scientific community pursuing normal science is not exceptional by Kuhn’s account. Kuhn (1962:24) was explicit that normal science does not in any way aim to “call forth new sorts of phenomena”. Phenomena that do not fit the box are mostly invisible while extensive professionalisation vastly restricts scientists’ vision and induces substantial resistance to paradigm change (Kuhn 1962: 62, 64). Lifelong resistance to “any change in paradigm categories”, particularly from those committed by their careers to an older normal science tradition, is built-in the “nature of the perceptual process itself”: it is “not a violation of scientific standards but an index to the nature of scientific research itself” (Kuhn 1962: 24, 62, 151).

The work of Ludwik Fleck (1979),³² which in many respects foreshadows key Kuhnian concepts, provides further insights in making sense of the scientific

³² Ludwik Fleck’s *Genesis and Development of a Scientific Fact* (1979) was published in German 1935. A dedicated opponent of Logical Positivism, Fleck (1896–1961) was a Polish medical microbiologist with a major interest in epistemology. His pioneering work on epistemological questions went wholly unnoticed as Fleck survived brutal anti-Semitism, the Lvov Ghetto and Nazi concentration camps. An exceptionally open-minded scholar, Fleck conducted research on the anti-typhoid vaccine. Acknowledging his intellectual debt, Kuhn (1962: ix) wrote that Fleck’s work anticipated many of his own ideas. He also wrote the Foreword to the 1979 translation of Fleck’s book. A wealth of material and Fleck’s unpublished work is collected in Cohen and Schnelle (1986). Comparative insights on the work of Kuhn and Fleck are provided in Mößner (2011) and Harwood (1986). Wittich (1981) proffers a Marxist analysis of both scholars and their contribution.

community and its resistance to change. Conceptualising the scientific community as a ‘thought collective’ and paradigms as ‘thought styles’, Fleck (1979: 42, 43) emphasised the social character of knowledge and the social structure that underpins “the very nature of scientific activity”. As a “structurally complete and closed system”, the thought collective demonstrates the extraordinary “tenacity of closed systems of opinion” and an “enduring resistance to anything that contradicts” its thought style (Fleck 1979: 28–32). To resist change and defend the paradigm, the thought collective adopts a five-fold “active approach”, a strategy which aptly describes the response pattern of mainstream economists:

(1) A contradiction to the system appears unthinkable. (2) What does not fit into the system remains unseen; (3) alternatively, if it is noticed, either it is kept secret, or (4) laborious efforts are made to explain an exception in terms that do not contradict the system. (5) Despite the legitimate claims of contradictory views, one tends to see, describe, or even illustrate those circumstances which corroborate current views and thereby give them substance ((Fleck 1979:27)

As previously intimated, Kuhn emphasised that resistance to change may have its uses in generating new knowledge:

By ensuring that the paradigm will not be too easily surrendered, resistance guarantees that scientists will not be lightly distracted and that the *anomalies that lead to paradigm change will penetrate existing knowledge to the core*.(Kuhn 1962:65)[Emphasis added]

Conversely, mainstream economists as ‘producers and validators of sound knowledge’ (Kuhn 1962:178) and gate-keepers of the dominant paradigm, emerge as preoccupied precisely with how anomalies *will not* penetrate what the paradigm has come to dictate as scientific knowledge. This seeming paradox can be explicated by Kuhn’s emphasis on the role of value-systems, ideology and the mechanisms of their transmission and enforcement

[I]t should be clear that the explanation must, in the final analysis, be psychological or sociological. It must, that is, be a description of a value system, an ideology, together with an analysis of the institutions through which that system is transmitted and enforced. Knowing what scientists value, we may hope to understand what problems they will undertake and what choices they will make in particular circumstances of conflict. I doubt that there is another sort of answer to be found. (Kuhn 1977:290)

Nonetheless, the post-crisis mainstream discourse bypasses any discussion of the institutional/sociological parameters which delimit the performance and the reaction of the mainstream economics profession vis-à-vis the financial crisis and cripple the

prospect of paradigm change. The depoliticised and ‘technocratic’ post-crisis discourse ignores, in particular, constraints imposed by the “underlying worldview economists have in common, and the constraints imposed by power in the normal social science system and its environment” (Ward 1972:31). Following Kuhn (1970:249), an examination of the “particular constellation of beliefs, values, and imperatives” that affect the behaviour of the scientific community is in order. In other words, do mainstream economists as a scientific community share a worldview? Does a value system affect their response to the recent crisis and how?

According to Friedman (1953:4) “positive economics is in principle independent of any particular ethical position or normative judgments”. The proper scientific method prohibits subjective value judgments and addresses economic phenomena only in terms of their directly observable appearance (Robbins 1935:87).³³ As a discipline, economics “tends to pride itself (inevitably erroneously) on being value-free and independent of external influence” (Milonakis and Fine 2009: 3). Accordingly, there is no room for ideology in the value-free ‘neutral’ science of economics. Hence, both the practice and the practitioners of mainstream economics— in general and in crises—should be beyond the influence of ideology. As Cochrane (2010d), asserts, Chicago today “is not an ideological place”. What is, then, the part of ideology in post-crisis mainstream responses?

Despite mainstream claims of value-free scientificity and ideologically neutral scientists, ideology is very much part of the debate. Mainstream economists in all three response groups readily discuss or refer to ideology. Alan Greenspan (2008) is shaken to discover flaws in his ideology which were exposed by the crisis. Testifying before the competent US Senate Committee, he is on record saying that:

“I do have an ideology. My judgment is that free, competitive markets are by far the unrivaled way to organize economies [...] to exist, you need an ideology”.

More specifically, when mainstream economists refer to ideology they mean the belief in the efficiency of self-regulating markets. Directly or by implication, they indicate

³³ A survey of the origins and development of value-free economics is provided in Drakopoulos (1996).

free-market ‘ideology’ as responsible for the failure of both economics and economists in the face of the crisis. Coyle (2012b) describes an intellectual environment “in which deduction has driven out induction and ideology has taken over from observation”. In Krugman’s (2011) view, the belief that markets cannot go wrong played a major role pointing to a “structural flaw in the profession”. This belief extends beyond the “bastions of capitalism” pervading countries with “established socialist traditions, such as China, India, and Russia” (Akerlof and Shiller 2010:2). Ideology is what underpins the “great faith” of politicians and policy makers in the self-regulation of financial markets (Maskin 2013). This “powerful ideology—the belief in free and unfettered markets—brought the world to the brink of ruin” (Stiglitz 2011b). The ideological view within the discipline that “the market economy is inherently self correcting and state intervention is unnecessary and undesirable” obstructs recovery and continues to influence the teaching of macroeconomics (Wren-Lewis 2011:42, 45). Many economists and officials who are “heavily invested in the ideology of free markets” deflected attention from pre-crisis warnings (Posner 2009a:134). Ideology along with budgetary considerations “starved the regulatory agencies of resources” (Eichengreen 2008).

Defining ideology exclusively as the belief in self-regulating markets reduces the debate to an ineffectual discussion of “‘how much’ and ‘what kind’ of regulation would set matters straight” (Gowan 2009:20). This attitude fits hand in glove with mainstream responses that lay the blame on efficient markets hypothesis limiting change in economics to minor repairs. The implication is that a bit of regulation can set free-market ideology right—just as a few corrective patches can set a flawed theory right. This line of reasoning masks the overarching deep belief of mainstream economists of all stripes in capitalism and their commitment to its perpetuation at all costs. Avoiding any reference to classes, exploitation and the social relations of production, it focuses on saving the capitalist system from the effects of the crisis and its own excesses:

Yes, capitalism is good. But yes, it also has its excesses. And it must be watched. [...] Yet, we are currently not really in a crisis for capitalism. We must merely recognize that capitalism must live within certain rules. Indeed our whole view of the economy, with all of those animal spirits, indicates why the government must set those rules. (Akerlof and Shiller 2010:146–7, 173)

Despite pleas for regulation, anything that can harm the social order of capitalism should be avoided including excessive regulation. Economics, after all, is “the science by which economic policy can be formulated thereby resolving conflicts both within and between classes without threatening the social order of capitalism” (Fine 1980:141). Becker and Murphy (2009) emphasise that financial and other reforms must not destroy capitalism and its gains. In their view, it is precisely the “so-called capitalist greed” that motivates business and ambitious workers rescuing “hundreds of millions” from poverty. Taylor (2014a), cautions against bad monetary and regulatory policy and particularly “interventionist policy” with Keynesian fiscal stimulus packages. Becker (Milken 2009:54) worries about the government is “getting bigger and it will be hard to go back” posing a very real threat to the economy. Luigi Zingales (2009a: 26, 35) worries that an erosion in the belief that “the system is fair” threatens post-crisis American capitalism and warns against populist notions such as cutting executive bonuses or that a firm is too big to fail. According to Myron Scholes (Milken 2009:58), government cannot be a substitute for markets because it simply cannot “provide the vital information that markets provide”. Asking “Why Capitalism?”, Meltzer (2012:5) replies that despite some flaws, capitalism works and cites Kant: “Out of timber so crooked as that from which man is made, nothing entirely straight can ever be carved.” No wonder, then, that Nobel laureate Myerson (2012:848, 873) recommends using “poor workers’ taxes to subsidize rich bankers” to offset weak investment during recessions, which may “actually benefit the workers, as the increase of investment and employment can raise their wages by more than the cost of the tax”.

Ideological commitment to preserving the capitalist social order is not confined to the intellectual sphere. It has decisively shaped the mainstream economics scientific community defining acceptance to the community, career advancement, getting published and finding employment. As Stigler, back in 1959, declared, the “professional study of economics makes one politically conservative [...] It is indeed true that a believer in the labor theory of value could not get a professorship at a major American university (Stigler 1959:522, 531). He described this particular individual and his/her value system as follows:

A person who wishes most economic activity to be conducted by private enterprise, and who believes that abuses of private power will usually be checked, and incitements to efficiency and progress usually provided, by the forces of competition. (ibid)

Stigler was not exaggerating. As early as the 1890s, “economic non-conformity” was considered to be a new kind of heresy resulting in the persecution of economists like Richard T. Ely, Edward W. Bemis and Edward A. Ross (Goodwin 1998). Frederic Lee (2009:66) in his *History of Heterodox Economics* recounts how the mainstream community after the 1970s institutionalised McCarthyism and its values including anti-pluralism and “red scare-repression”.³⁴ Bringing to life incidents of real persecution of scholars like Sweezy and Baran, Lee reconstructs the post-war demise of communist and non-communist radical economics schools. The changing political and social atmosphere in the 1960s with the rise of the New Left, the civil rights movement and anti-Vietnam war protests, brought a partial respite to outright political repression; the “pro-free enterprise” outlook of capitalism, however, was already well-entrenched in academia together with mainstream theorising and methodology (Fourcade 2009:160–61; Lee 2009). In the 1970s, dissenters had started feeling the censorship of the orthodoxy accompanied by the imposition of a consensus that considered economists as “technicians with access to a specialized body of knowledge that could be applied” (Backhouse 2005:387).

In contrast to the hardship accompanying dissent and diversity, membership to the mainstream scientific community brings privileges and advantages. Adherence to the scientific community of mainstream economics benefits from the support of other patrons besides universities: Government, the business community, charitable or other foundations and free market think tanks provide extra opportunities of entrepreneurship (Backhouse 2005:386; Goodwin 1998). Making life and work easier for the practitioners of the mainstream scientific community, generous patronage also directs and shapes the paradigm. Sonja Amadae (2003) has exposed the role of the RAND Corporation in the development of rational choice theory that become a cornerstone of mainstream economics expanding to the social science field and the mainstream

³⁴ Schrecker (1986) meticulously documents the repression of academics during the Great Depression and in the period before and after the Second World War culminating in the Cold War anti-Communist crusade led by Senator McCarthy.

economics community. Starting with a RAND internship, Kenneth Arrow's career "as a key contributor to the neoclassical synthesis in economics is inseparable from his Cold War policy role" (Amadae 2003: 85).

In the post-crisis context, the roots, the pathways of influence and the implications of a closely knit academic, governmental, financial and corporate complex are exposed in detail in Mirowski (2013) who demonstrates how this complex ensured immunity to mainstream economists, banks, hedge funds and ratings agencies (Mirowski 2013:216). As Fourcade (2009:454) observes:

If professions are essentially about securing rents, then how the particular profession of economics allows (or does not allow) its members to make money in different countries is of paramount importance to its structure as well as its ideational dimensions. The United States occupies a unique place in this narrative. (Ibid)

As members of an elite powerful group bound by the dominant paradigm, mainstream economists have no interest in highlighting anomalies and institutional constraints such as mechanisms of "dangerous interconnectedness", which implicate them in conflicts of interest through their private ties to the financial sector (Carrick-Hagenbarth and Epstein 2012). These members of the mainstream scientific community populate mostly the hard-line, 'loyalist' no change group.³⁵ Posner (2008:258) names economists' close involvement with the financial sector as one of the reasons for their ignoring pre-crisis warnings:

They are not armchair theoreticians. They are involved in the financial markets as consultants, investors, and sometimes money managers. Their students typically have worked in business for several years before starting business school, and they therefore bring with them to the business school up-to-date knowledge of business practices.

In her account of the rise of conservatism in the US, Phillips-Fein (2009) traces how the "invisible hands" of business from the 1930s to the Reagan era organised, funded and fostered think tanks and foundations such as the Foundation for Economic Education and economists like Friedman and Hayek and other Mont Pèlerin Society members; such channels conducted a massive populist campaign of political indoctrination in the virtues of capitalism. In this light, it may be little wonder that

³⁵ Carrick-Hagenbarth and Epstein (2012:124) name Alan Blinder, Charles Calomiris, Richard Herring, John Taylor, Jeremy Stein, Andrew Bernard, John Campbell, John Cochrane, Douglas Diamond, Darrell Duffie, Kenneth French, Anil Kashyap, Frederic Mishkin, Raghuram Rajan, David Sharfstein, Robert Shiller, Hyun Song Shin, Matthew Slaughter, and Rene Stulz.

recipients of the Swedish Central Bank's Prize in economics, including Gary Becker, Kevin Murphy and Myron Scholes, rally to defend capitalism mingling with politicians, corporate CEOs and financiers in forums such as the Milken Institute, founded by the notorious profiteer Michael Milken³⁶ who was convicted in 1991 for six felonies, including insider trading, fraud, and bribery. In all, the interplay between neoliberalism and the increasingly neoliberal economics profession (Mirowski 2006), the arrogance and the privileges of the orthodox elite, including 90 per cent of Nobel prizes in economics, (Milonakis and Fine 2011:16), the Americanisation of the discipline (Fine and Milonakis 2009:136–7) and the impact of the Chicago School (Caldwell 2011; Nik-Khah and Van Horn 2012) underscore the value-system that emerges at the post-crisis discourse of the mainstream scientific community. The 'Americanisation' of the profession, in particular, along with the conceptual and methodological underpinnings of mainstream economics encompasses the disproportionate access to "journals, textbooks, appointments, doctoral training, even Nobel Prizes, by a limited range of institutions and individuals" (Fine 2002:2063).

Regarding the educational responsibility of the scientific community, Kuhn's analysis provides insights into the development of economics education. For, Kuhn (1962:4-5, 161) noted how the scientific community like a medieval guild transmits received beliefs via the "rigorous and rigid" education that "licenses the student for professional practice" ensuring that the received beliefs exert a "deep hold" on the student's mind: "in learning a paradigm the scientist acquires theory, methods, and standards together, usually in an inextricable mixture." The Chicago School provides an example. Its distinct sub-culture or style relied on the tough PhD programme, rigorous training in price and monetary theory and intensive workshops (Reder 1982). Views falling outside of the paradigm were not tolerated. The community penalised views seen to "violate any maintained hypothesis of the paradigm" considering diversity as a failure to take in the school's rigorous standards; empirical research was evaluated by standards that required findings to be "consistent with the implications of standard price theory" (Reder 1982: 13, 19).

³⁶ On Milken's shady dealings in junk bonds involving savings and loan associations see Akerlof and Schiller (2010:30–3).

Exerting a stronger influence than generally believed, economics textbooks crystallise the paradigm in its rudimentary form providing the entry point of the initiation process through which students are admitted into the economics profession (Argyrous 1992:234). The increasing formalisation and mathematisation of the discipline is manifest in “the high degree of uniformity in the undergraduate and graduate curricula and in the leading textbooks” (Coats et al. 2000:145). Furthermore, as “authoritative” sources of education textbooks perpetuate normal science by systematically concealing “the existence and significance of scientific revolutions” focusing on already articulated “problems, data, and theory” within the paradigm (Kuhn 1962:136–38). In other words, textbooks make scientific revolutions invisible. They convey only “the stable outcome of past revolutions”; importantly, the history of the discipline is removed from textbooks “truncating the scientist’s sense of his discipline’s history” (Kuhn 1962:137). It is hardly surprising, then, that “economics as normal science misrepresents the history of economics thought” just as “it misrepresents economic realities” (Fine 2004:135 fn.3).

No wonder, then, that an increasingly asocial and ahistorical economics education has steadily served to strengthen the dominance of the mainstream paradigm together with its conceptual and methodological underpinnings and its discursive frame marginalising alternative views and research paths:

This dominance has brought with it a total indifference and an intellectually frightening treatment of the history of economic thought and of methodology both of which have been dropped from most undergraduate and postgraduate courses in economics. (Milonakis 2012:251)

Students in top Anglo-American economics departments are required to be proficient in mathematics: the implication is that these students may graduate with the highest grades without having read a single word of Adam Smith, Marx, Mill, Keynes, Schumpeter or Hayek (Hodgson 2009a:1208; Skidelsky 2010). Fifty five years later and following a major economic crisis, economics students at the University of Manchester report that economics education at Manchester has elevated one economic paradigm, neoclassical economics, to the only object of study in the field as if it “represented universally established truth or law” and emphasise that syllabuses are almost homogenous in many English universities (The Post-Crash Economics Society 2014). Similarly, 65 student

associations from 30 countries around the world launched a call for pluralism in economics³⁷ protesting against the narrowing of the curriculum over the last couple of decades and the crippling lack of intellectual diversity in education and research. Yet, major changes in economics curricula should not be expected. Macro should not be taught like a “course in the history of economic thought” given that “the mainstream is much more integrated”: when lessons from the financial crisis have been learnt, “the basics of the macroeconomics we teach will still be there” (Wren-Lewis 2012, 2013). According to Gregory Mankiw (2009), author of two widely used textbooks, some subtle changes may come in response to recent events: yet, despite the enormity of the economic crisis, students still need to learn the “bread-and-butter of introductory courses”, namely “gains from trade, supply and demand, the efficiency properties of market outcomes, and so on”. In brief, economics education, too, may see “adjustments but no paradigm shift” (Saint-Paul 2010). Even if pluralist adjustments to economics education materialise, inevitably questions arise as to who is going to teach the new curricula. For, in the post-crisis professional landscape of mainstream economics, the picture is complex:

Hedge funds run by economists blow up: Tenured economists who run hedge funds do not. Promotion depends upon tenure and that depends upon acceptance of the reigning paradigm that all the people reading your tenure file created. As such, adding incrementally to the existing corpus of knowledge rather than nailing contrarian theses to the disciplinary door is the way to succeed. (Blyth 2013:13)

At the same time, the censoring function of the paradigm as practiced by the gatekeeper community prevents articles that strongly challenge the dominant paradigm from getting published in major journals where referees are consistently prominent exponents of the paradigm (Williams and McNeill 2005:8). Can initiatives like the Institute for New Economic Thinking (INET) funded generously by financier George Soros prompt a change in the attitude of the mainstream scientific community and its economic thinking mindset? Despite a promising start, recent evidence cautions that this initiative could be a “Trojan horse of the financial oligarchy, meant to control the movement for reform of economics” (Haering 2014).

In conclusion, the foregoing discussion suggests that the mainstream scientific

³⁷ <http://www.isipe.net/open-letter/>

community and its particular sociological/institutional parameters including a deep belief in the superiority of the capitalist system have played an important role that critically restricts prospects for a paradigm change in the discipline.

5. SUMMARY AND DISCUSSION: THE WAY FORWARD?

Drawing on Kuhnian insights, this paper examined the prospects of a paradigm change in mainstream economics. The attempt was made to elucidate whether the recent economic crisis set in motion a paradigm change in mainstream economics arguing that theoretical and institutional /sociological parameters constrain the prospect of a paradigm change and inhibit the generation of new knowledge. To explore this argument, post-crisis ‘intra-paradigm’ mainstream responses were examined and evaluated.

Identifying three main groups of responses, our analysis indicated that in stark contrast to the intensity and the charged rhetoric of the debate, the mainstream soul-searching exercise has been short lived and lacking in in-depth critical self-reflection. ‘Business as usual’ or normal science was quickly resumed as the mainstream establishment largely advanced the idea that nothing really problematic has occurred confirming the views of other commentators (Fine and Milonakis 2011; Mirowski 2013; Palley 2012). Normal science could continue as usual because the mainstream establishment (a) did not find anything to be amiss in mainstream economics, (b) identified some minor challenges or (c) felt that where appropriate Kuhnian mopping up operations could fix problems by repairs. The unifying concern emerging in all three groups is to ensure tradition and the continuity of the dominant paradigm. In other words, the “obvious” is not to throw out the baby and the bathwater:

It is important to start by stating the obvious, namely, that the baby should not be thrown out with the bathwater. Most of the elements of the precrisis consensus, including the major conclusions from macroeconomic theory, still hold. (Blanchard, Dell’Ariccia, and Mauro 2010:10)

The framework for a post-crisis change in mainstream global paradigm ultimately remains confined within efficient markets (EMH), rational expectations hypothesis (REH) and DSGE models, which appear to be designated as universal scapegoats detached from the history and the conceptual underpinnings of mainstream

economics. According to critical insider mainstream views, fixing the subparadigms of EMH, REH and the DSGE models by some repairs is what economics needs. For example, “putting financial frictions into DSGE models is an urgent activity, on which many scholars are now engaged. Ditto, learning, and credit or money” (Coyle 2012b). Our research could not identify any evidence that such mopping up operations are underway suggesting that even minor repairs remain limited to discourse or are not feasible. The profession can learn to “live with not-so-efficient markets” (Zingales 2010).

The manner in which the mainstream of the profession treated anomalies that were exposed by the crisis provides a further analytical insight to our discussion. First, the hard line ‘loyalist’ group refuses to recognise any anomaly at all including the existence of bubbles. Influential members of the scientific community manifest a kind of cognitive blindness or agnosticism as regards everything that went beyond the guiding assumptions of the paradigm. Second, the insider-critic group recognises anomalies exposed in the course of the crisis but opts to treat manifest serious anomalies as “puzzles” or minor irritants in the routine of normal science that can be mopped up to fit “the preformed and relatively inflexible box that the paradigm supplies” (Kuhn 1962:24). Notwithstanding that anomalies are numerous, prolonged, severe and quantitative, the mainstream of the profession acts in the manner suggested by Kuhn (1962:77) for scientists who are “confronted by even severe and prolonged anomalies”:

Though they may begin to lose faith and then to consider alternatives, they do not renounce the paradigm that has led them into crisis. They do not, that is, treat anomalies as counter-instances, though in the vocabulary of philosophy of science that is what they are.

Instead, the application of layers of repairs is chosen to ensure continuity and tradition in the paradigm. Yet, even before the crisis new features were introduced to smooth out manifest divergences between prediction and data in DGSE models so that each new layer created a new set of puzzles (Driffill 2011:2). This approach, then, increasingly converts the paradigm into a Ptolemaic system of “compounded circles”, whose “complexity was increasing far more rapidly than its accuracy” so that “a discrepancy corrected in one place was likely to show up in another” (Kuhn 1962:68).

Yet, if anomalies were to be recognised as epistemological counter-instances, rather than minor irritants, they would “help to permit the emergence of a new and different analysis of science within which they are no longer a source of trouble” (Kuhn 1962:78). Should this happen, mainstream economics could no “longer evade anomalies that subvert the existing tradition of scientific practice” and would have to engage in the “extraordinary investigations that lead the profession at last to a new set of commitments, a new basis for the practice of science” (Kuhn 1962:6). This does not seem to be the case.

Conversely, the mainstream scientific community appears to be engaged in preserving the black box rather than engaging in a course that can generate new knowledge. Secure within the guidelines supplied by the paradigm, the mainstream scientific community remains unshaken by the anomalies that the crisis exposed. At the same time, the scientific community component of mainstream normal science with its underlying value system and particular sociology emerges as the paradigm gate keeper and validator of knowledge consolidating the paradigm’s immunity to change. The sociological/institutional parameters that define the mainstream scientific community help elucidate why anomalies exposed by the crisis are either bypassed or mopped up by mainstream economists. In the physical sciences, prolonged and severe anomalies would challenge at worst, the prestige or the psychological “integrity” of a scientist while in mainstream economics his/hers “moral position as a member of a social order” is at stake:

The discovery of unexpected results in the social universe almost invariably threatens or confirms the legitimacy of the social system of which the social investigator is unavoidably a part. (Heilbroner 1973:139)

In sum, our discussion strongly suggests that contrary to expectations the present crisis has not driven serious changes, let alone a paradigm shift in mainstream economic theorising and practice. Therefore, the crisis in economics that was brought to the fore by the recent economic and financial crisis cannot be resolved within the boundaries of the current paradigm and the specific scientific community. Our research suggests that both the paradigm and the scientific community inherently inhibit change and contribute fundamentally to a static, monolithic paradigm that is resistant to change. This leaves a small margin of hope that in the future anomalies will build up to an extent that will

spark a process of paradigmatic change while generation of new knowledge cannot be envisaged within the paradigmatic boundaries.

5.1 The way forward: an assessment

What is, then, the way forward for economics? Leaving aside pleas for more mathematics, our examination of the ‘intra-paradigm’ responses indicated two more options which deserve closer examination. A Keynesian revival evoking the change that followed the Great Depression and shifting the emphasis to behavioural economics have been suggested as hopeful future avenues for economics. In this light, two questions need to be addressed.

First, is a return to Keynes feasible? The Keynesian revival option appears mainly in the insider critics (c) group. Perplexed by the state of economics and the profession, Posner (2009c) found a transformative revelation in Keynes. For Krugman “Keynesian economics remains the best framework we have for making sense of recessions and depressions” (Krugman 2009b). Overall, the mainstream notion of a Keynesian revival focused on irrationalities of human psychology that affect market behaviour and the animal-spirits associated with the work of Akerlof and Shiller (Fine and Milonakis 2011:17). Akerlof and Shiller (2010:xi) propose to develop “the role of animal spirits in macroeconomics in a way that the early Keynesians could not” and build an unassailable theory centered on animal spirits instead of sweeping them under the carpet. Yet, there is nothing to suggest that the Keynesian revival goes beyond the level of discourse. On the contrary, the mainstream establishment rushed in to restrain Keynesianism (Barro 2009a; Sachs 2010; Zingales 2009b) or dismiss Keynes and Keynesian “interventionist policy” with fiscal stimulus packages (Cochrane 2011, Taylor 2014a). The return to Keynes for the mainstream of the profession appears as a transitory idea peaking in early 2009 and subsiding by mid-2010 (Farrell and Quiggin 2012). DeLong (2010, 2014) who initially called for a paradigm change in economics, later on felt that “Keynes & Co lost the stimulus argument”.

Second, can behavioural economics suffice for a paradigmatic change? In the wake of the financial crisis, new impetus to behavioural economics comes from the search to explain events that appeared to falsify a paradigm which assumes that markets

are efficient and equilibrating (Dow 2013:27). Proposed as a promising path that challenges the rationality postulate, the case of behavioural economics—and its subfields—provides a useful touchstone to determine how mainstream economists envisage change. Across all mainstream response groups, behavioural economics appears to provide all at once an explanation for the crisis, a proof of diversity and a hopeful prospect for the future. Fama who staunchly defends EMH saying that the theory “did quite well” during the crisis, argues that behavioural research by Chicago economists explains how individual behaviour diverges from rationality and praises the originality of Steve Levitt, the father of the ‘freakonomics’ genre (Cassidy 2010a).³⁸ Akerlof and Shiller (2010:4, ix) recall Keynes’ view that “animal spirits are the main cause” for market fluctuations as well as involuntary unemployment. They argue that changing thought patterns in terms of confidence, temptations, envy, resentment, illusions and “changing stories” about the economy are “precisely” what caused the crisis. Policymakers like former ECB president Trichet (2010) call for behavioural economics to provide alternative motivations in choice analysis. According to Diane Coyle (2010), “seasoning” economics with psychology, particularly in behavioural finance and consumer research, will hopefully improve economics and policy options. Dale Mortensen (Hoover and Young 2013:1189) thinks that there are real issues, where behavioural economics can “make a very big contribution” to what the rest of economists does. Blaming human frailty, greed, corruption and leverage for the crisis, Richard Thaler (Clement 2013; 2008), a pioneer of behavioural economics at Chicago, sees a slow but certain current towards behavioural economics that will change economics.

Furthermore, a strand in recent literature that includes non-mainstream views identifies signs of positive change pointing to a pluralist future for the discipline in the emergence of new subfields and research tracks most of which are connected to behavioural research. These include various non-neoclassical new subfields, focal points and research tracks such as evolutionary, experimental economics, complexity

³⁸ According to Fama, Levitt is a “very unusual” economist who continues and extends Gary Becker’s research “taking over” microeconomics (Cassidy 2010).

economics, game theory, neuroeconomics, market design economics³⁹ and others. The new research paths are seen as signs of diverse and constantly changing “substantive content, focus and policy orientations” (Lawson 2013). Pioneering “work at the edge of economics” is considered to drive the dynamics of change in mainstream economics (Colander et al. 2004:486–89).⁴⁰ The case of a “reverse imperialism” from other fields into economics and its implications for pluralism is explored (Davis 2008b; Frey and Benz 2004). In particular, the economic crisis is seen to mark the end of the “dominant neoclassical paradigm” that is gradually replaced by behavioural economics (Heukelom and Sent 2010:26, 34). The dynamics of this change are found to establish an ‘inside-the-mainstream heterodoxy’ within modern economics (Colander 2009) reinforcing pluralism and decentralisation (Davis 2006, 2008a; Sent 2006). Even the trivialisation of economics by the ‘freakonomics’⁴¹ genre is considered a driver of change that enhances our understanding of “social cooperation and progress” (Boettke, Leeson, and Smith 2008:14).

Coming from both mainstream and non-mainstream voices, these arguments call for an assessment. To recall Kuhn, a prerequisite of paradigm change is the existence of an alternative convincing new paradigm. Can, then, behavioural economics and the related new subfields and research paths provide the foundation of a convincing alternative paradigm challenging mainstream beliefs and tenets? After all, groundbreaking cross-cultural research has convincingly contested the universality of the homo economicus prototype refuting the “adequacy of self-interest as a behavioral foundation for the social sciences” (Henrich et al. 2005:997). Other experiments have shown that people

³⁹ Defined as the engineering domain of economics “intended to further the design and maintenance of markets and other economic institutions”, design economics is considered a “natural complement” to game theory together with experimental and computational economics (Roth 2002:1341–42). Design economics examines efficient markets focusing on institutional structure and pricing mechanisms to create efficient markets or reform inefficient ones (Davis 2008a:11).

⁴⁰ According to Colander, the edge of economics accommodates mainstream critics of the orthodoxy, and the part of heterodox economics which is taken seriously by the elite of the profession (Colander, Holt, and Rosser 2004:492)

⁴¹ The term ‘freakonomics’ denotes the application of economic principles to unusual issues and paradoxical facts seemingly alien to economics which trivialises economics by selecting topics that allow simple explanations (Backhouse 2012:231). Fine and Milonakis (2009) expose freakonomics as a most extreme form of economics imperialism that advances its colonising designs on the other social sciences.

sacrifice their own gains exhibiting a large range of other-regarding behaviour (Fehr and Schmidt 2006; Hoffman, McCabe, and Smith 1996). In other words, massive evidence from laboratory or open-air field experiments has shown that human beings behave in ways that contradict rational choice theory. ‘Anomalies’ in human behaviour have provided scope for research on loss aversion, altruism, preference reversals, endowment effects, framing effects, availability bias, and so on (Hands 2007:6).

The starting point of our assessment regards the sincerity of mainstream pleas for behavioural research. For, mainstream economists who identify promises in behavioural research, at the same time express reservations about its efficacy. The field is found lacking in terms of providing mathematical models that could predict depressions or offer recovery solutions (Posner 2009d). Robert Shiller (Hoover and Young 2013:1188) thinks that behavioural economics does not provide “elegant behavioral economics models”. Another argument deplores the lack of a uniform framework in new behavioural fields which prevents an assessment to determine whether psychologically richer assumptions are scientifically superior to the “good old” neoclassical self-interest assumption (Coyle 2010:133, 149). Behavioural economics appears to be perceived as a complementary embellishment that can improve but not really change economics. To serve the future of economics, behavioural approaches should aim to steer the field towards the “more serious task of restating, re-applying, and extending the tools of traditional economics” (Harrison 2010). Furthermore, scholars who see a wind of change do not really anticipate or hope for a Kuhnian paradigm shift, let alone a scientific revolution. As Colander (2004:485, 488–89; 2009) assures his readers, the “stealth change” in mainstream methodology comes “from within”; it is not a Kuhnian paradigm shift that could replace neoclassical orthodoxy with a heterodox alternative.

Indeed, the recent subfields and research tracks come from within and remain within the core methodological principles of the paradigm, namely methodological individualism and equilibrium while they rely on mathematical modelling and other sophisticated formalised techniques. Behavioural economists themselves profess unwillingness to deviate from mainstream standards. According to prominent behavioural economist Camerer and his colleagues, providing more realistic

psychological foundations that enhance the explanatory power of economics does not mean breaking away from the dominant paradigm. This is how they describe what behavioural economics tries to do:

At the core of behavioral economics is the conviction that increasing the realism of the psychological underpinnings of economic analysis will improve the field of economics *on its own terms*—generating theoretical insights, making better predictions of field phenomena, and suggesting better policy. *This conviction does not imply a wholesale rejection of the neoclassical approach to economics based on utility maximization, equilibrium, and efficiency.* The neoclassical approach is useful because it provides economists with a theoretical framework that can be applied to almost any form of economic (and even noneconomic) behavior, and it makes refutable predictions. (Camerer and Loewenstein 2004:4)[Emphasis added]

According to Nobel laureate Daniel Kahneman (2003:1469), theories in behavioural economics retain “the basic architecture of the rational model, adding assumptions about cognitive limitations designed to account for specific anomalies”. Considered as the founding father of behavioural finance, Richard Thaler does not at all reject the fundamentals of mainstream economics such as supply and demand or cost-benefit analysis: “it’s just that the frame of analysis needs considerable broadening” (Clement 2013).

So, even if homo economicus has evolved to resemble a human being, much of behavioural economics maintains the framework of methodological individualism. The individual may be irrational or altruistic but she/he still provides the building block of mainstream economic explanations: complex socio-economic phenomena are analysed focusing on the individual and deploying the analytic-synthetic method to understand the whole. Experiments are designed to observe self-interested behaviour by isolating individuals from social interaction in order to make experiments conform accurately to the theoretical framework based on methodological individualism and the rationality principle (Dow 2013:33–34). Exploring the neurological basis of decision making in humans and other species, neuroeconomics actually seeks to provide new physiological and evolutionary grounds to reinforce rational choice theory (Hands 2007:10). Berg and Gigerenzer (2010:162) found pervasive similarity and common constraints in the methodological foundations and the scientific standing of neoclassical and behavioral research programs. The two scholars (2010:141, 133, 134) emphasise that behavioural economics overly relies on Friedman’s ‘as-if’ canon to validate empirically weak

‘psychological’ models which refer to neoclassical axiomatic norms without subjecting them to empirical investigation. Behavioural economics ultimately evolved into “economics based on its use of mathematical modeling” arguing that without mathematics we cannot assess the usefulness of psychological insights; in incorporating these insights the “economist’s principal objective is to engineer individuals’ behavior to more rational expressions of their preferences” (Heukelom 2014:200).

Thus, while questioning certain aspects of the neoclassical paradigm, the new research programmes literally linger at the margin of mainstream economics without introducing “a new entry point to economic theorizing, a genuine break from and beyond neoclassical economics” (Wolff and Resnick 2012:288). Hence, the new behavioural approaches essentially can be seen as modified variations of the mainstream paradigm. Despite importing concepts and tools from other disciplines, the new behavioural research paths confirm the view expressed by Fine (2013:7) that the “unyielding core” in mainstream economics retains its strength.

Summarising, mainstream economists explore and accept certain behavioural anomalies or stylised facts that do not require any substantive change in the enduring core of the dominant paradigm. This is in line with the strong record of mainstream economics for tolerating anomalies, particularly those that traverse the sub-disciplines, “on a scale that would be impossible in most natural sciences—and would be regarded as a scandal if they were” (Lipsey 2001:173). Instead of addressing anomalies, then, behavioural approaches ensure the continuity of the paradigm by focusing selectively on what kind or which aspect of psychology suits the given the goals/interests of individual economic theorists and/or the profession in general (Hands 2009). Two decades of behavioural research has not induced significant revisions of microeconomics, much less macroeconomics (Mirowski 2013:259). Hence, it is not reasonable to expect that more behavioural research of the same configuration can prompt a change akin to a post-crisis paradigm shift, let alone a revolution. As emphasised by a leading exponent of the field (Rabin 2002:658–59), while broadening the scope of economics, psychological economics remains confined within the “spirit of economics” much like game theory: it does not propose a “paradigm shift in the basic approach” but is “destined to be absorbed” by economics and not exist as an alternative approach. In this

respect, Gary Becker's assessment should be heeded:

In fact, I do not think that behavioral economics is a revolution. However, it has added some insights into human behavior and those insights, to the extent that they are verifiable, will be absorbed into the rational choice model. They will not lead to a radical change of the model. (Herfeld 2012:79)

6. FINAL REFLECTIONS

History, if viewed as a repository for more than anecdote or chronology, could produce a decisive transformation in the image of science by which we are now possessed. (Kuhn 1962:2)

Despite its logical contradictions, accumulating empirical anomalies and the crisis, the mainstream paradigm and its bedrock neoclassical theory have not collapsed. The dominant paradigm comes out of the crisis not only unchanged but with its core theoretical architecture and technical toolkit reinforced (Fine 2013:6). Its overall structure has remained largely unchanged for more than a century—a achievement not found in any other science; thanks to the help of substantial business and government subsidies it has managed to marginalise all alternative approaches and its theoretical competitors (Nitzan and Bichler 2009:83). Participating in a panel to commemorate the 50th anniversary of John Muth's article on rational expectations, Michael Lovell, Robert Lucas, Dale Mortensen, Robert Shiller, and Neil Wallace unanimously concluded that for the coming fifty years rational expectations will continue to play an essential role in the future development of economics (Hoover and Young 2013:1191). As stated by Shiller at the same event: "Kuhn talks about scientific revolutions throwing out theories. This is not a theory that's going to be completely thrown out".

Still, few fields of scientific inquiry have as many social, political, and economic implications as economics. If new approaches and research programmes do not really change the mainstream paradigm, the unsettling question that emerges is "whither economics"? Is economics destined to remain in a "state of Ptolemaic astronomy that was a scandal" before the Copernican revolution (Kuhn 1962:67) with rationality looming large after 50 years? The answer is not an easy one. Instead of an answer we can pose another line of reasoning and another question. Economics essentially remains "an explanation system whose purpose is to enlighten us as to the workings, and therefore to the problems and prospects, of that complex social entity we call the

economy [...] If economics is not to be a science of society, what is to be its ultimate usefulness” (Heilbroner 1999: 311, 319)?

7. REFERENCES

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Formalising Economics: Social Change, Ideology and Mathematics in Economic Discourse

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(June, 2016)

In an article by Stigler et al (1995) which studied the use of mathematics in four leading economics journals, it was found articles using neither diagrams nor algebra decreased from 95% in 1892 to an astonishing 5,3% in 1990.¹ In another study by Klammer and Colander (1990) of the five most distinguished doctoral programs in economics in American universities, based on questionnaires given to Ph.D. candidates to answer, and on interviews given by the same candidates, one of the conclusions was stunning. Of those questioned only 3,4 % thought that knowledge about the real economy was very important for success in the doctorate program, while 57% thought that excellence in mathematics was very important. In other words, the students thought that knowledge of techniques and not of the real economy was the basic prerequisite for success in their doctorate programs. How did this state of affairs come about?

Excessive mathematisation and formalisation of economic science has been one of the most important, if not the most important, feature of the development of economic science in the later part of the twentieth century. So pervasive is the penetration of mathematical reasoning into economic discourse that this process was described as the “formalist revolution” by Benjamin Ward in 1972 and this term then adopted by Terence Hutchison (2000) and popularised by Mark Blaug (1999, 2003). Following the recent global economic crisis, including but not confined to the presumed culpability of mathematical modeling of financial markets, increasing number of people, including many leading practitioners of mathematical modeling, have added their voices against this tendency which is considered as driving economics away from real world problems towards proving mathematical theorems. So what were the causes behind this excessive mathematisation of economic science? Why did it happen to such an extent in economics and not in all other social sciences? Why did it happen when it did (i.e. in the second part of the twentieth century)? And

¹ Similarly Backhouse (1998) in a study of three leading economics journal has found that the number of articles using mathematics (algebra or diagrams or both) rose from zero in 1920 to 40 percent in 1960. If one considers only theoretical articles using algebra then the percentage rises to a staggering 80% during the same period.

is this process reversible? These are some of the questions I try to explore in this paper.

To do so, it is essential to begin with an understanding of the causes and processes that led to this increasingly dominant phenomenon. Scholarship over the last three decades, including Ingrao and Israel (1990), Mirowski (1989, 2002), Weintraub (1985, 2002), Morgan and Rutherford (eds) (1998) has helped in shedding light on some of the factors involved, having set new standards in economic historiography. Although, thanks to these and other works, we are now in a much better position to understand the phenomena of formalisation and mathematisation of economic science, more research is definitely in order to uncover fully what was, and remains, involved. Some accounts tend to rely heavily on one or two factors alone. Most prominent is “the enormous, often uncritical, awe of mathematics in Western Culture” (Lawson, 2003, p. 248); and for (Ingrao and Israel, 1990, p. 34), “The historiography of philosophical thought has long identified the 'mathematisation' of the social sciences as one of the major themes of contemporary culture generated and molded in the rich melting plot of the Enlightenment”. So pronounced is this tendency of “awe” that it has led one leading critic to describe it as a form of ideology (Lawson, 2012, pp. 11, 16). Lawson (2003, ch. 10), then, following Ingrao and Israel, identifies the role mathematics in Western Culture, as one of the basic determining factors in the process of the mathematisation of economics. This account although shedding important light to one of the intellectual factors involved, leaves some important questions unanswered. If the importance of mathematics in Western Culture is the basic causal factor, why, for example, did this formalisation process only take place to such an extent after the Second World War? And why has it only come to dominate economics and not other social sciences such as sociology, anthropology and politics (although especially in the latter it has made some important headway)? Lawson (2003, pp. 250-9) attempts to answer the question of why the mathematisation process took off when it did through a natural selection evolutionary process together with a distinctive environmental shift which was favourable to the adoption mathematical methods in economic discourse. This still leaves the question of why, despite this “awe” of mathematics, the latter had to wait for about one and a half century after the publication of Adam Smith’s *Wealth of Nations* before it conquered economics and is still waiting for the full colonisation of other social sciences?

The processes of mathematisation and formalisation of economics are complicated, involving social (including power), economic, intellectual, ideological and institutional factors, and so simple mono-causal explanations are inadequate. To do justice to these multi-causal phenomena, and not to leave the above questions unanswered, all these factors have to be brought to bear by showing explicitly how each of them has had an effect, individually and in combination with the others as well as avoiding a teleology of absence of countervailing factors.

In section 1 we examine the prehistory of the mathematisation process until the 1870s. In it we delineate the role of Newtonianism and liberalism in the formative years of political economy as a separate branch of knowledge by focusing on Smith's attempt to blend the two, and we try to tackle the important question of why all attempts to mathematise economic science utterly failed during this period. This is in fact a question that is left unanswered in the whole literature on the mathematisation of economics which focuses mostly on the evolution of mathematical economics as such. To answer this question, however, one has to look at the broader picture of the evolution of economic science as a whole, something that we attempt to do in this section. In section 2, the first concerted efforts to mathematise economics which took place during and in the aftermath of the marginalist revolution are scrutinised. These involve the works of Jevons and Walras and their followers Edgeworth, Pareto and Fisher through the imitation of the methods of natural sciences (physics and statical mechanics in particular) and prepared the ground of what was to follow about half a century later. These efforts, however, were met with strong opposition both within neoclassical economics, not least through the dominant figure of Alfred Marshall, but also outside neoclassical economics in the works of American institutionalists and the Historical Schools. The inbuilt *ideological biases* of neoclassical theory based on marginalist principles is also exposed. Section 3 examines the changes occurring both within economics through its desocialisation and dehistorisation and in the natural sciences following the crisis in physics with the appearance of relativity theory and quantum mechanics at the turn of the century and Hilbert's Program in mathematics, which also had an impact on economics.

The 1930s which was probably the most crucial decade in the process of the mathematisation of economics is the subject of section 4. The social, ideological, institutional and intellectual developments that took place during this heated decade,

including the Great Depression and Roosevelt's New Deal, the ideological dominance of socialism over liberalism, the formation of Econometric Society and the Cowles Commission in the 1930s in the U.S.A., and the rediscovery of Walrasian general equilibrium theory, both by economists (John Hicks among them) and, importantly and for the first time, by some top mathematicians in Karl Menger's seminar in Vienna, come under close scrutiny. The ambivalent role of Keynes's *General Theory* is also examined. The consolidation of this process in the 1940s through the appearance of two milestones, von Neumann's and Morgenstern's *Theory of Games and Economic Behaviour* (1944) and Paul Samuelson's *Foundations of Economic Analysis* (1947), is examined in section 5. In the same section the role of the War through its impact in scientific developments and through that in economics is considered. Section 6 tells the story of the 1950s, the decade that has been identified in the literature as the decade during which the formalist revolution took off the ground. Arrow and Debreu were the two most important figures in this process, first through their joint proof of the existence of equilibrium in a Walrasian general equilibrium system in 1954 and, second, through Debreu's book *A Theory of Value* which appeared in 1959 representing the prime example of mathematical formalism in economics. Section 7 brings to the fore the causal role of ideology in directly shaping developments in economics in the context of the Cold War McCarthyism. Section 8 concludes this paper.

1. The Prehistory

The eighteenth century Enlightenment represented the triumph of reason over metaphysics. It "used the growth of scientific knowledge as an antidote against the poison of enforced theological dogma and arbitrary authority in matters of belief" (da Fonseca, 1991, p. 25). The Scientific Revolution, the emergence of (classical) liberalism and the birth of economic discourse were all children of the same cultural environment, the rise of trade and capitalism and the technological advances in Western Europe during the sixteenth and seventeenth centuries, with the former also feeding into the latter in significant ways. Reason (rationalism), individualism, liberalism and universalism were the main Enlightenment values.

The publication of Newton's *Principia Mathematica* in 1687 signified the climax of the Scientific Revolution which took place during the fifteenth and

seventeenth centuries and included the works of the likes of Kepler, Copernicus, Galileo and others. Voltaire was responsible for bringing Newtonianism to France and, by the mid-1750s, the latter was the dominant force in French philosophy, becoming the banner of the French Enlightenment against Cartesianism and Leibnizianism (Schabas and de Marchi, 2003).² “Voltaire, in his *Letters on England* (1733), read Newton’s achievements as the vindication of Baconian method – of science found on experience, not on mathematical deduction” (Porter, 2003, p. 20). France then became “the scene of Newtonianism's most fruitful developments and greatest triumphs” (Ingrao and Israel, 1990, p. 35). The French Enlightenment has bequeathed upon social sciences, and economic discourse in particular, four major features.³ First is the idea of the existence of laws governing the social cosmos. Second is rationalism. Third is the concept of harmony and equilibrium. And fourth is the bringing of the individual, emancipated from societal and other fetters of ancient and medieval times, to the fore for the first time in history.

Individualism and individual liberty became the cornerstones of classical liberalism, one of the main philosophical traditions of the Enlightenment, with John Locke and Adam Smith as the two main representatives. “Liberalism was a reaction

² Descartes and Leibniz were two of the three advocates (the other being Spinoza) of seventeenth century rationalism “in which conclusions are produced by applying reason to the first principles or prior definitions rather than to empirical evidence”, and as such was opposed by the empiricist school (http://en.wikipedia.org/wiki/Gottfried_Wilhelm_Leibniz). Descartes “propounded the rationalist program of the reduction of all phenomena to matter in geometrical motion”, while Leibniz “championed a ‘law of continuity’, that ... nature does not manifest itself in large and abrupt changes. That belief found its expression in the technique of summing sequences of infinite small quantities – that is, in the calculus” (Mirowski, 1989, pp. 16, 18). Newton, along with Descartes and Leibniz, was one of the key figures of the Scientific Revolution. He formulated the laws of motion and universal gravitation which he also applied to celestial bodies, laid the foundations of much of classical mechanics and invented (along with Leibniz) the infinitesimal calculus (http://en.wikipedia.org/wiki/Isaac_Newton).

³ “Enlightenment is the process of undertaking to think for oneself, to employ and rely on one's own intellectual capacities in determining what to believe and how to act. Enlightenment philosophers from across the geographical and temporal spectrum tend to have a great deal of confidence in humanity's intellectual powers, both to achieve systematic knowledge of nature and to serve as an authoritative guide in practical life. This confidence is generally paired with suspicion or hostility toward other forms or carriers of authority (such as tradition, superstition, prejudice, myth and miracles), insofar as these are seen to compete with the authority of reason. Enlightenment philosophy tends to stand in tension with established religion, insofar as the release from self-incurred immaturity in this age, daring to think for oneself, awakening one's intellectual powers, generally requires opposing the role of established religion in directing thought and action” (Bristow, 2011).

against mercantilism feudal and aristocratic societies of the *ancien régime*, and stressed the commitment to individual liberty against the coercive powers of the State” (Cockett, 1994, p. 5). Between 1760s and 1820s was the period when the battle of liberalism against mercantilism was fought and won, with liberalism becoming the ruling dogma for the best part of the nineteenth century (until the 1880s) (p. 6)

Ever since the publication of Newton's *magnus opus*, social scientists have been asking the question: if nature is governed by laws could the same be the same for society? Some have translated this into the following related but different question, “is it possible to apply or adapt the methods of inquiry that have proved so effective in the physicomathematical ‘exact sciences’ to the study of man's moral, social and economic behaviour?” (Ingrao and Israel, 1990, p. 33). The difference between the two questions, is not semantic and involves very different answers, methods and modes of expression. The latter question leads directly to the “strict analogies” approach between the physical and the social sciences, what in the twentieth century, following Hayek (1942-4), came to be known as scientism. This “strict analogies” approach had a dual manifestation in the social sciences and political economy in particular [was associated with a dual import from the physical to the social sciences]. First, was the import of the mechanical metaphor both in the form of the equilibrium concept and, chiefly, in describing human behaviour – the eighteenth century “man-machine” doctrine associated with La Mettrie’s *L’Homme Machine* (1747),⁴ or the late nineteenth century marginalist concept of the “economic man” (da Fonseca, 1991, chs 2,3). Second, and associated with the first, is the use of the principle tool of the physical sciences, that of mathematical reasoning, in the social sciences. Hence, to the extent that the question asked was of the existence or not of social laws, the normal mode of expression employed was the narrative discourse, while the latter question of the appropriate method vis á vis the physical sciences, led invariably to the application of mathematics.

The relationship between economic science and mathematics has been a tormented one. Throughout the so-called classical period and for most of nineteenth century, political economy was a discursive science. Only after 1870, did it start to

⁴ “Man is a machine, and there is nothing in the entire universe but a single substance diversely modified” (La Mettrie quoted in da Fonseca, 1991, p. 26).

become a tool-based science through the use of mathematical modeling (Morgan, 2012, ch. 1). One can discern three phases separated by two important ruptures in the process of the mathematisation of economic science (Mirowski, 1991). The first phase can be called the ‘prehistory’ of mathematisation running from the mid-eighteenth century to around 1870 (Morgan, 2012, p. 6). The second phase, which spans the period between the 1870s and the 1930s, was set off by the marginalist revolution, providing the first important rupture when the foundations of mathematisation of economics were laid. The second rupture which took place between 1930-1960 and is associated with the ‘formalist revolution’, gave rise to the third phase which was the take-off phase running to the present. During this last period mathematisation became fully consolidated and model-building became the sine qua non of modern economic science (Mirowski, 1991, Blaug, 1999, 2002, Morgan, 2012). The pinnacle of the last two phases was the Walrasian general equilibrium model first in its original form proposed by Walras himself, and then in its more mathematically formal form by Arrow and Debreu (1954) and Debreu (1959).

In their ground-breaking work on the process of mathematisation of economic science, Ingrao and Israel (1990) focus exclusively on the work of mathematical economists, especially those who somehow dealt with general equilibrium models. According to them, “general equilibrium theory originated and developed in the context of a project put forward in varying forms by different scholars to repeat Newton's titanic achievement - i.e. the fulfillment of Galileo's program for a *quantitative* (mathematical) study of physical processes – in the field of the social sciences” (p. 34). This indeed seems to be the starting point of most, but not all, attempts to apply the mathematical method to economic discourse. However, by opening up the picture to include the development of economic science as a whole, and not of mathematical economics alone, then a very different perspective emerges on developments during the prehistory period of the mathematisation of economic science. It can be broken into two sub-periods, from the mid- to late-eighteenth century, when mathematical reasoning did gain some currency among writers on economic matters, and the period between the end of the eighteenth century and 1870 when mathematical economists failed to make any impact whatsoever. Overall the picture that emerges from this period is one consisting mostly of a systematic *failure* of mathematically-oriented economists to make any substantial inroads into the

dominant economic thinking of the day, i.e. classical political economy. If this is the case, the crucial question to tackle in an attempt to explain the later mathematisation of economics, is why did these earlier attempts fail? This is of crucial importance if one is to avoid teleological arguments based on mathematical awe or otherwise and bring to the fore important factors of resistance to the mathematisation tendency in economics.

To answer this question we need to go back to the beginning of this period. The publication of Newton's *Principia Mathematica* in 1687 had an impact both on the Scottish and the French Enlightenment. For Scottish moral philosophers, “moral philosophy was to be transformed into an uncompromising empirical science. That, in any case, was David Hume’s (1711-1776) message when he presented his *Treatise on Human Nature* (1739-4) as an ‘attempt to introduce the experimental method of reasoning into moral subjects’” (Heilbron, 2003, p. 44). Similarly, as seen already, following the importation of Newtonianism in France, one of the basic questions posed by authors of the French Enlightenment was whether social reality is also governed by laws. Among the first to ask this question was Montesquieu who was interested to see whether it was possible to reduce the multiplicity of social phenomena into a few basic underlying laws based on empirical observation, a theme taken over by the leader of the Physiocratic movement Francois Quesnay (1694-1774) for whom society is governed by laws established by the creator. Montesquieu was also among the first to introduce the concepts of harmony and equilibrium into social discourse, which were then also taken over by Quesnay and the English moral philosophers. The first attempts at introducing mathematical reasoning into economics were conducted in France, the most fertile scene of Newtonianism, by members of the Physiocratic movement, be it in the form of Quesnay's *Tableau Economique*, which amounts to the first major attempt to represent the economy in terms of quantitative flows of the production and distribution of the national product; or Turgot's (1727-1781) use of the metaphor of the circulation of blood and his introduction of the concept of market equilibrium which he borrowed from fluids and mechanics; or, last, through Condorcet's (1743-1794) use of social mathematics and probability calculus

in an attempt to collect and systematise empirical data in order to discern patterns and regularities (Ingrao and Israel, 1990, ch. 2, Heilbron, 2003, pp. 43-7).⁵

During the classical era stretching between 1776, the year of the publication of Adam Smith's *Wealth of Nations*, and the 1870s, there were several scattered attempts by individual writers to introduce mathematical reasoning into economic discourse.⁶ One common characteristic of all these attempts was that they failed to have any impact whatsoever and soon fell into oblivion. So total was this oblivion, that when Jevons and Walras ventured into constructing mathematical models of price determination in the 1870s, they had to (re)invent most of these concepts anew.⁷ As Jevons (1957, p. xliii) writes in 1879, “the unfortunate and discouraging aspect of the matter is the complete oblivion into which this part of the literature of Economics has fallen, oblivion so complete that each mathematico-economic writer has been obliged to begin almost *de novo*”. And for Fisher (1925 [1892], p. 109, quoted in Theocharis, 1993, p. viii), “Before Jevons all the many attempts at mathematical treatment fell flat. Every writer suffered complete oblivion until Jevons unearthed their volumes in his bibliography”. Similarly for Robbins (1983, p. xi) “the history of mathematical economics before Cournot must in some respects be regarded as consisting of antiquarian *curiosa*”, while Theocharis quotes approvingly Robertson's (1949, p. 535) conclusion that the authors of that period “stand now as more or less isolated figures,

⁵ “Condorcet stressed the urgency of adapting scientific methods to the analysis of state matters. The moral sciences must ‘follow the same method’ as the natural sciences; they ‘ought to acquire a language as exact and precise, and should reach the same level of servitude’” (Heilbron, 2003, p. 46).

⁶ The first endeavours to mathematise economics during the classical era include Isnard's (1749-1804) and Canard's (1750-1833) attempts at constructing a general equilibrium model of price determination in the late eighteenth century; von Thünen's (1783-1850) theory of marginal productivity which he applied to factor price determination in 1826; Cournot's (1801-1877) theory of pure price, monopoly and duopoly in 1938; Karl Heinrich Rau's (1792-1870) first introduction of demand and supply curves in 1841; Dupuit's (1804-1860) and Gossen's (1810-1858) development of the concept (but not the word) of marginal utility and attempts to offer a theory of hedonistic calculus in 1844 and 1854 respectively, combined with Dupuit's (1804-1860) introduction of the demand curve (Theocharis, 1993, chs. 5, 7.4, 9; 1993, chs. 4, 6, 7, 9).

⁷ It is no accident that Walras in the first edition of his *Elements of Pure Economics* fails to acknowledge any of his predecessors other than Cournot, although in later works both he and Jevons (1957, pp. xxviii-xliii) paid tribute to several mathematical economists who wrote before them such as Dupuit, Cournot, Gossen and von Thünen. Walras in fact came into contact with Dupuit's work in 1874, and Jevons 'discovered' Gossen in 1878, only after they had themselves reinvented the concept of marginal utility (Howey, 1973, pp. 25-6)

who cannot be said to have contributed to a current of thought because there is no discernible flow”. There seems, therefore, to be unanimous agreement among scholars that the mathematical economists before Jevons and Walras failed to make any impact. The interesting question then is to explain why did this happen and what changed in the 1870s when mathematical economics began to gain some currency among economists?

Following the impact of the publication of Adam Smith's *Wealth of Nations* in 1776, the search for *mathematical* laws in the economic and social realms considerably subsided. The same, however, did not apply to the quest for *laws* governing the social cosmos. To the contrary, the explicitly stated aim of most classical economists was indeed the search for such laws. Smith wrote at the beginning of the industrial revolution which represented a threshold between the early merchant phase of capitalism of the sixteenth and seventeenth centuries, and the industrial capitalism of the nineteenth century. As the title of his *magnus opus* suggests, Smith's main aim was to discover “the nature and the causes of the wealth of nations”. As a true child of the Enlightenment, Smith's work was a prime instance of the attempt to blend political economy with moral philosophy and the search for societal laws with the values of liberalism. As J.S. Mill (quoted in Riley, 1994, p. xvi) puts in his *Principles of Political Economy*, “For practical purposes, political economy is inseparably intertwined with many other branches of social philosophy ... Smith never loses sight of this truth” (Mill, POPE, quoted in Riley, 1994, p. xvi). The search for societal laws is associated with the application of the scientific method to the analysis of the social universe, while liberalism is built on the principles of natural liberty and individual freedom. Individualism, economic liberalism and universalism form the main building blocks of his theory. This is reflected in his search for causal factors behind capitalist development, the division of labour and the increase in productivity, in the form of the individual's natural (hence universal) propensity “to track barter and exchange”, and his proclivity to pursue his own self-interest, a quest that results in increased social welfare. Having said this, Smith's analysis is full of instances where he deviates from this basic schema, including the wide and multifaceted use of historical analysis and the deployment of more collectivist (class) analysis alongside his individualist arguments.

Similarly Ricardo's aim was to “determine the laws which regulate the distribution ... among the three classes of the community namely, the proprietor of land, the owner of the stock of capital ... and the labourer”. For Mill “the political economy informs us of the laws which regulate the production, distribution and consumption of wealth”, while Marx's main concern was “to reveal the laws of motion of modern society” (quoted in Milonakis and Fine, 2009, pp. 13, 21). So, although Newtonianism's influence is still present in the form of the quest for social laws, the same does not apply to Newton's, and the physical sciences' more generally, method. Although there are instances where the classicals used some mathematical reasoning, mostly in the form of numerical examples such as in Malthus' law of population, or in Ricardo's demonstration of the laws of distribution in agriculture using farm accounts, or in Marx's demonstration of the transformation of prices into prices of production in Volume III of *Capital*, these are all exceptional cases that help to prove the rule. Classical political economists adopted a discursive (conceptual) mode of expression characterised by “long chains of verbal reasoning”, and “argued in terms of principles and laws, not models ... For them, the economy was governed by laws, general and strict, just as the natural world was, and the task of the economist was to discover, or postulate, those laws taking into account of the evidence of the day and of history” (Morgan, 2012, pp. 45-6 and ch.2). Why was this the case, and why did these laws not take the form of mathematical laws?

The nineteenth century was a turbulent period. The industrial revolution of the late eighteenth and early nineteenth centuries alongside industrialisation, technological advancements and the consequent unprecedented increases in productivity, urbanisation and population explosion, also brought about unemployment, poverty, increasing inequalities, and the increasing immiseration of the working people, what came to be known as the “social question”. On top of this, industrial capitalism proved to be a very unstable system. The aftermath of the industrial revolution became the scene of recurrent economic crises and social upheavals culminating in the Paris Commune of 1871 and the Great Depression of the nineteenth century between 1873-1879. Although classical liberalism continued its journey not least through the writings of John Stuart Mill, it did not go uncontested (Mill, 1962a, 1962b). The socialist movement which sprung out in the 1820s in the form of the writings of the French socialists (Saint Simon, Fourier and the anarchist

Proudhon) and culminated in the work of Carl Marx, was the child of the adverse consequences of the industrial revolution and the turbulences of nineteenth century industrial capitalism. At the same time the mode of analysis of the main classical thinkers Ricardo and Marx (Mill's was more individualist and more eclectic) was moving away from individualism towards more holistic and collectivist (class) types of analysis influenced, in Marx's case, by Hegelian dialectics, and in the case of the German historical school to more historico-inductive forms of analysis.

In such an intellectual environment, although Newtonianism's influence is still present in the form of the quest for social laws, the same does not apply to Newton's, and the physical sciences' more generally, scientific tools and modes of expression. Classical political economists adopted mostly a discursive (conceptual) mode of expression characterised by "long chains of verbal reasoning", and "argued in terms of principles and laws, not models." (Morgan, 2012, pp. 45-6 and ch.2). Why was this the case, and why did these laws not take the form of mathematical laws?

First, in the late eighteenth century the intellectual atmosphere was changing making it less conducive to the use of mathematical tools outside the natural sciences. This was reflected in the doubts expressed first by the *ideologues* concerning the use of the physico-mathematical method in the social sciences by the Physiocrats, then by pioneers of the emerging new social science, especially Auguste Comte,⁸ and by members of the classical school of political economy such as Malthus and Say who were thoroughly against the use of mathematics in social science (Ingrao and Israel, 1990, pp. 54-60). According to Malthus (1986 [1820], p. 1) "the science of political economy bears a nearer resemblance to the science of morals and politics than to that of mathematics". Second, this was the era of what has been described as Counter-Enlightenment which he associates mostly with the rise of German Romanticism, which substitutes emotions for Enlightenment's rationalism, and is associated with relativism, anti-rationalism and organicism.

Third, most Enlightenment and classical writers, Quesnay and Smith among them, "still kept their accounts of human behaviour as essentially distinct from the

⁸ "In the 1820s Comte ... rejected decisively the idea that social science should adopt the same methods as astronomy, physics, or physiology" (Porter and Ross, 2003, p. 4),

explanations of natural processes modeled after the achievements of nineteenth century physics” (da Fonseca, 1991, pp. 33), by refusing to draw a sharp distinction between economic and non-economic motives, considering both to be constitutive of human nature. Smith, in particular, was a prime example of this Enlightenment feature, as manifested, first, in his outright rejection of “Mandeville’s attempt to posit an abstract, undifferentiated and all-embracing concept of individual self-love in order to account for both selfish and *prima facie* altruistic forms of human behaviour” (p. 35), and, second, through the identification of sympathy (in his *Theory of Moral Sentiments*) as a pro-social motive of human conduct alongside self-interest.

Fourth, unlike their mathematical counterparts who were mostly trained in the natural sciences, most classical economists, with the exception of Ricardo who was a broker, were either philosophers themselves or had some (initial) training in philosophy: Adam Smith was a moral philosopher, Malthus studied mathematics and natural philosophy, Mill was trained in both political economy and philosophy; and Marx studied law and wrote his doctoral thesis on the philosophy of Epicurus. Fifth, writing either during the course of the industrial revolution or in its immediate aftermath, they were mainly concerned with issues of long-term development and growth. Sixth, and derivative upon the second, they were interested in issues of economic policy and reform (revolution even). Seventh, their focus of attention was the (capitalist) economy which they treated as a dynamic system and which they conceived in its wider social and historical context. Hence social relations and historical processes featured prominently in their analysis.⁹ Directly related to this is their relative priority in qualitative over quantitative analysis. Although quantitative questions in the form of Smith’s and Ricardo’s focus on wages and price of corn or the quantitative aspects of the labour theory of value, are never absent from classical writers, these are at most narrower applications of their qualitative analysis. In effect what most classical political economists sought was the construction of a unified social science in their attempt to explain the workings of the (capitalist) economy. Social relations and historical processes, however, are notoriously difficult to analyse mathematically, as are issues of long-term dynamics and growth in a historical and

⁹ This is especially true of Smith’s and Marx’s analysis while Ricardo, whose abstract analysis although social in nature lacked a strong historical dimension is a sort of an exception.

social setting. The same applies to issues of economic policy which require normative analysis (Milonakis and Fine, 2009, ch. 2). Granted all these features, it was natural that classical economists eschewed mathematical reasoning since it was simply unsuitable for the grander purposes at hand. For the same reasons those who strove to mathematise political economy during this period failed utterly in their task.

Similar considerations apply to the fate of the mechanical metaphor in describing human behaviour. The main attempt in this direction was of course Bentham's utilitarian image of human beings as "pleasure-machines" governed by "two sovereign masters, *pain* and *pleasure*". This is perhaps the only instance where the amoral, asocial, Mandevillian individual pure and simple makes its appearance in the whole classical period. This Benthamite, utilitarian, mechanistic creature, did not manage to make much inroads into classical writings, except perhaps in the early writings of J.S. Mill. Even Mill, however, in his mature work distances himself from this reductionist creature of his former mentor, Bentham. According to Mill, "man, that most complex being, is very simple one in his eyes"; granted, he considers "Mr Bentham's writings to have done and to be doing very serious evil" (Mill, quoted in da Fonseca, 1991, pp. 37, 39). As for his utilitarianism, "I regard", he says, "utility as the ultimate appeal on all ethical questions; but it must be utility in the largest sense, grounded on the permanent interest of a man as a progressive being" (Mill, *On Liberty*, p. 136). This is a far cry from Bentham's selfish, egotistic, "pleasure-machines".

2. The First Rupture

Granted this situation during the classical epoch, what changed in the latter part of the nineteenth century to bring about the first self-confident, and relatively successful, attempts to mathematise economic science, first taking shape in the writings of Jevons (1835-1882) and Walras (1834-1910)?¹⁰ First note that classical

¹⁰ Menger is not mentioned here, although normally grouped together with Jevons and Walras as the troika of the marginalist revolution, because he did not use mathematics. This, however, makes him a very interesting case from the view point of the theme of this paper since although he used a similar conceptual framework, not least through the deployment of the concept of marginal utility (although

political economy had been in deep crisis from roughly 1850 and under continuous attack from many different quarters and theoretical view points such as the German Historical School, Karl Marx and then the marginalists. Second, one common characteristic of most mathematical economists examined so far is that they were typically trained in some natural science or other.¹¹ This same attribute is shared by most of the crusaders of new economic thinking who wrote in the marginalist tradition. Of the two pioneers, Jevons studied natural sciences (chiefly chemistry and botany) and moral sciences, and Walras engineering, which, however, he abandoned to devote his time to the study of philosophy, history, literary criticism political economy and social sciences. What is new with them is that first, although they wrote separately, their writings coincided in time, and, second, that they managed to attract followers including the likes of Edgeworth (1847-1926) and Pareto (1848-1923) in Europe, and Fisher (1867-1947) in America. Of the latter Edgeworth was trained in mathematics and statistics, Pareto studied physics and mathematics (although he also had a background in social sciences), and Fisher studied physics and mathematics. Pareto replaced Walras in his Chair at the University of Lausanne, thus forming between them what came to be known as the Lausanne School also, symbolically, known as the Mathematical School, whose central feature was inevitably Walrasian general equilibrium theory.

Third, another novel element is that this is the first time that the transformation of economics into a mathematical *science* on a par with natural sciences becomes a programmatic proclamation. This involves the strict separation of positive analysis from normative analysis, with the latter being preserved for other branches of knowledge such as applied sciences, moral sciences and arts. “The distinguishing characteristic of a science” says Walras (1954, p. 52), “is the complete indifference to consequences, good or bad, with which it carries on the pursuit of pure truth”. This contrasts with applied economics which deals with questions of social wealth and individual well-being, and social economics (a moral science or ethics) which deals

the latter does not play the central role it assumes in Jevons and Walras’ analysis), he was able to proceed his analysis discursively (see Milonakis and Fine, 2009, ch.13?).

¹¹ Quesnay was a surgeon and physician, Condorcet a professional mathematician, Isnard an engineer and economist, Canard a professor of mathematics, Dupuit studied engineering, and Cournot was a philosopher and mathematician (Ingrao and Israel, 1990, chs 2, 3, Theocharis, 1983, chs 5, 9).

with questions of property, justice and distribution (pp. 60, 76-80, see also Milonakis and Fine, pp. 94-5). So Walras excludes questions of wealth, well-being, property, justice and distribution from the work of an economic *scientist* or, in other words, the sum total of the questions focused upon by classical political economists. The change could not be more dramatic in this respect.

This is also the first time that three main elements of the French Enlightenment, the notion of the individual freed from his societal fetters, the concepts of harmony and equilibrium, and the idea that the economic realm is governed by laws, are applied with such force and vigour. But now, this application is associated with either a transformation of the meaning of the concept involved, or with a more specific understanding of it. The conception of the individual and human nature represents an example of the former case, while the precise meaning of the laws governing the social cosmos an example of the latter case. First, then the more rounded conception of the individual and of human nature, nurtured by the representatives of the Enlightenment and classical political economy, including David Hume, Francois Quesnay, Adam Smith and John Stuart Mill, now gives its place to the narrow conception of economic man, or *homo economicus*. With the advent of marginalism, following in Bentham's utilitarian steps, all non-economic elements in the form of ethical motives found in Enlightenment and classical writers such as altruism (Smith's concept of sympathy in his *Theory of Moral Sentiments*) disappear from the map of human nature, which is now understood as being moulded by purely selfish economic motives (the self-interest of Smith's *Wealth of Nations*). According to da Fonseca (1991, p. 47) "The central feature of the metamorphosis of economic agents into 'pleasure-machines' is that they cease being moral persons ...". The cost of all this is "the drastic simplification and homogenization of human agency in economic affairs ... [and] economic action ... is depurated of ethical and psychological elements" (pp. 49, 56). This is in accord with the mechanical metaphor according to which "the theory of the economy proves to be, in fact, the mechanics of utility and self-interest" (Jevons, 1957 [1871], p. 21). This move is essential for the construction of a more abstract type of reasoning lending itself more readily to mathematical analysis by formulating individual action in quantitative-mathematical terms.

At the same time, however, and importantly, “The disengagement of the economic life from morality turns out to be not only a promising starting-point for abstract analysis, it becomes a moral end-point too, that is, a desirable state of affairs ... The ‘invisible hand’ at work here transmutes *is* to *ought* ... It is a piece of abstraction that easily lends itself to a normative reading” (da Fonseca, 1991, p. 47, see also Milonakis and Fine, chs. 2, 5, Hillinger, 2015, ch. 2.3). Marginalist protestations to the contrary notwithstanding, the moral (ethical, ideological) element crips in *ab initio*, in the very foundations of neoclassical economics. Further, the focus on the (amoral, asocial) individual drives the analysis away from classes and their dangerous, antagonistic connotations.

The methodological individualism deployed by the marginalists and neoclassical economics more generally is a first clear sign of its ideological leanings with liberalism. This is a reflection of the ideological climate of the time. The nineteenth century was the age of liberalism. Following in the footsteps of Adam Smith, J. S. Mill was one of the chief representatives of economic liberalism in the classical era. His liberalism, however, was muted first, much like Smith, by his more rounded individual, “that most complex being”, and by his Saint Simonian, socialistic influences, involving “improved ideas of social co-operation and equal justice” (Riley, 1994, p. xvi, Mill, Chapters on Socialism, 1994 [1879]). In political life, economic liberalism as the economic expression of political liberalism reached its peak during the 1870s and 1880s in Britain by becoming the “governing principle of both the Liberal Party, under Gladstone, and the Conservative Party, particularly under Disraeli, up to 1880” (Cockett, 1994, p. 13).

The implicit ideological bias of neoclassical economics does not stop here. On top of the concept of economic man or homo economicus, the other scientific foundations on which neoclassical economics was erected was the concept of equilibrium borrowed, quite appropriately, from static mechanics, the introduction of the change at the margin (marginalist principle) as a basic economic principle of human decision making, and the concept of economic (Pareto) efficiency. Each of these seemingly “neutral” foundation stones of modern economics had inbuilt ideological biases.

To begin with, the concept of equilibrium and perfect competition is far from neutral. Equilibrium implies a harmonious, smoothly running system, free from internally generated interruptions, which if left on its own will always return to a state of equilibrium. This has the essential function, whether intended or not, of driving the analysis away from issues such as economic crises, downturns and depressions, a recurrent phenomenon of nineteenth century economic life at least since the end of the Napoleonic wars. Perfect competition, on the other hand, is a model of the economy close to the liberal ideal *laissez-faire* capitalism, of free, perfectly functioning markets. Similarly, focusing on decisions taken on the basis of marginal changes in the quantities involved, moves the attention to small, smooth, piecemeal economic and social change and away from long term, revolutionary social change which is the Marxist motto. Last in our list, is the concept of Pareto efficiency which also has important ideological connotations as it is distributionally blind, implying that distribution does not matter. Such an “objective” criterion could help legitimise even the most extreme form of inequality.¹² A similar outcome could be the result of the adoption of the neoclassical (marginalist) theory of distribution first developed by Clark (1892?), according to which each factor of production is rewarded according to its marginal product. The implication is that each factor of production gets its fair share of the product, according to its marginal contribution to production.

At the same time, unlike the classical era, the laws are now expressed in mathematical form. Thus for Walras (1954 [1874], pp. 71-2) “[the] pure theory of economics is a science that resembles the physico-mathematical sciences in every respect”. And for Jevons (1957, pp. vii, xxi), “all economics writers must be mathematical so far as they are scientific at all”. As Mirowski (1984, 1989, ch. 5) has shown, the first major rupture in the mathematisation of economics is associated with *physics envy* expressed chiefly, but not exclusively, through the adoption of the mechanical metaphor of equilibrium concurrently by different authors. Mirowski

¹² Pareto efficient is a point where you cannot make anyone better off without making anyone else worse off. So, for example, in an economy with two agents and two commodities where one agent has all the quantities both commodities available in the economy and the other agent has nothing could be Pareto optimum, provided that any redistribution from agent A to agent B would make agent A worse off!

(1991, p. 147) offers a concise summary on the developments of the era in this respect:

What happened after roughly 1870 was that the analogical barrier to a social mechanics was breached decisively by the influx of a cohort of scientists and engineers trained specifically in physics who conceived their project to be nothing less than becoming the guarantors of the scientific character of political economy: among others this cohort included William Stanley Jevons, Léon Walras, Francis Ysidro Edgeworth, Irving Fisher, Vilfredo Pareto, and a whole host of others. They succeeded where others had failed because they had uniformly become impressed with a *single* mathematical metaphor that they were all familiar with, that of equilibrium in a field of force. They were all so very taken with this metaphor which equated potential energy with “utility” ... that they – sometimes even unaware of each other’s activities – copied the physical mathematics literally *term by term* and dubbed the result mathematical economics.

Despite the controversy that this thesis has given rise to, it does help to illuminate one, but only one and possibly not the chief, factor involved in this process.¹³

The self-confidence and self-assertiveness of Jevons’ and Walras’ statements above are unmistakable¹⁴ - as is their search for scientific credentials in the form of the mathematical method which was to become the *leitmotif* of economic science in the latter part of the twentieth century. But why is this the case? What are the specific features of the “new” economic science that rendered it susceptible to mathematical reasoning? First is that economics is now depicted as a quantitative science. According to Jevons (1957, pp. vii, xxi), since

¹³ See the articles in De Marchi (ed., 1993) for some critical reactions to Mirowski’s *More Heat than Light*. One main line of criticism is that Mirowski focuses on the intellectual factors at the expense of social factors.

¹⁴ One can find many other such references in the work of all marginalists, with the exception of Menger. Thus, for Jevons, his exchange equation does “not differ in general character from those which are really treated in many branches of physical science”. And for Pareto, “Thanks to the use of mathematics, this entire theory ... rests on no more than a fact of experience, that is, on the determination of quantities of goods which constitute combinations between which individuals are indifferent. The theory of economic science thus acquires the rigor of rational mechanics” (both quoted in Mirowski, 1984, pp. 363, 364).

economics “deals with quantities, it must be a mathematical science”. This is possible because capitalism is the first economic system where the economy assumes some sort of autonomy from the other spheres of social reality, and where commodity production and market relations become ubiquitous, transforming social relations into quantitative relations between commodities. Second, is the adoption of deduction as the chief method of economic investigation by all the marginalists. Although the application of the deductive method¹⁵ does make the use of mathematics mandatory in any way,¹⁶ it does facilitate the use of mathematics as the two share the same logical structure. According to Debreu (1986, p. 1261),

Deductive reasoning about social phenomena invited the use of mathematics from the first. Among the social sciences, economics was in a privileged position to respond to that invitation, for two of its central concepts, commodity and price, are quantified in a unique manner, as soon as units of measurement are chosen.

Third, the focus of attention now shifts away from issues of development and distribution involving social relations and historical processes taking place in historical time, to the atemporal, static issue of price determination analysed in terms of equilibrium, a concept itself borrowed from static mechanics.¹⁷ Fourth is the shift away from issues of long-term economic and social change and dynamics to (very) short-run individual maximisation and decision making at the margin. But the very notion of a marginal magnitude is a mathematical concept involving differential calculus. Hence mathematical reasoning becomes indispensable to economic

¹⁵ Deduction is defined as the method of developing a theory by starting with given assumptions and premises and, through syllogism and the use of the rules of logic, moving to what are effectively conclusions predetermined by the starting points (Milonakis and Fine, 2009, p. ??).

¹⁶ David Ricardo and the representatives of the Austrian School (especially Menger and von Mises) are two prime examples of authors using the deductive method while eschewing the use of mathematics.

¹⁷ As Pareto (1987, p. 490, quoted in Hodgson, 2012, p. xvi) puts it, “rational mechanics gives us the first approximation to the theory of the equilibrium and of the movements of bodies ... Pure economics has no better way of expressing the concrete economic phenomenon than rational mechanics has for representing the concrete mechanical one. It is at this point that there is a place for mathematics. ... It therefore appears quite legitimate to appeal also to mathematics for assistance in the solution of the economic problem”.

theorising. In order to arrive at such a state of affairs it was essential that economics got rid of all “pre-scientific vestiges” such as the social, the historical and the normative element (Milonakis and Fine, 2009, ch. 6).

There is no question then that the marginalist revolution laid the foundations which made the mathematisation of economic science possible: rationality and individual maximisation, equilibrium and marginal analysis, were all tools used, even if not invented, by the early marginalists. It was not, however, until half a century later that the full potential of the mathematisation process - that started as a sort of mini-movement with marginalism, as opposed to simple efforts by individual authors which had hitherto been the case - was realised. Why was this the case and what are the causes of this delay in the forward march of marginalism and of establishing the mathematical mode of expression as the chief tool of economic reasoning?

To begin with developments in the real economy were moving in the opposite direction to a perfectly functioning market as depicted in the model of perfect competition. This is the era of the rise of large corporations, trade unions and labour law as well as technological dynamism, all of which were outside the purview of neoclassical economics except for Marshall’s analysis beyond the organon.

At the same time, starting from the 1880s, there is a discrete change in the ideological climate, what has been described as a change from the “age of individualism” to the “age of collectivism”. This era was stamped by the foundation of the Fabian Society in Britain in 1884, “the first organisation to formulate and aggressively and successfully promote a coherent intellectual justification for the extension of the power of the State in pursuit of certain specific aims”, which started to be implemented in the early twentieth century through the introduction of a range of welfare measures including old age pensions and social insurance (Cockett, 1994, pp. 14, 15). “This steady march of collectivism was ... given a tremendous fillip by the first World War, when the demands of war saw the final buckling of the Victorian liberal state, giving way to an unprecedented degree of central control and central economic planning, measures which were ... supported and carried through by politicians of all parties ...” (p. 15-16). At the same time, even more radical changes in the same direction were taking place in Russia following the Bolshevik revolution of 1917. It would not be far off the mark to say that the interwar years in particular

were stumped by the ideological triumph of various forms of socialism and collectivism. As one leading liberal commentator writing in the aftermath of the Russian revolution puts it, “Socialism is the watchword and the catchword of our day. The socialist idea dominates the modern spirit. The masses approve of it. It expresses the thoughts and feelings of all; it has set its seal upon time. When history comes to tell our story it will write above the chapter “The Epoch of Socialism”” (von Mises, 1981, p. 15). Free market ideology then was on the retreat, leaving little space for the further development and elaboration of neoclassical economics, the advocates of which were also skeptical about the ability of free markets to deliver the goods (Burgin, 2012, p. 15). Faith in free markets was delivered a further blow by the Wall Street crash and the ensuing Great Depression. All in all neither the ideological climate, nor the socio-economic conditions were conducive to the further advancement of neoclassical economics. The latter was simply not in tune with the spirit of the times.

In addition, the first part of the twentieth century was a period of pluralism in economics. Thus in the USA the dominant school of thought was old or American institutionalism with its main representatives being Thorstein Veblen, John Commons and Wesley Mitchell, while in Germany the German Historical School still reigned supreme. What brings those schools together, in addition to their common emphasis on institutions and development, is their common opposition to the marginalist principles and to the use of mathematics in economic discourse (Yonay, 1998, Morgan and Rutherford, 1998, Milonakis and Fine, 2009, chs. 5, 9, 10).

At the same time, the initial reaction both on the part of fellow political economists but also among some leading mathematicians and physicists of the time was anything but enthusiastic. Walras’ *Elements of Pure Economics* in particular, which for some was the pinnacle of the marginalist revolution, was initially almost totally ignored by his fellow economists, while the work of early marginalists more generally received a rather cool or even hostile reception by first rate mathematicians and physicists such as Poincaré, Volterra, Bertrand, Levasseur and others for their “abstract schematism and poverty of direct interpretative results” (Ingrao and Israel,

1990, p. 111, also pp. 110-112, 154-173; Mirowski, 1991, pp. 148-9; 1989, pp. 241-250, Lawson, 2003, pp. 269-71).¹⁸

But opposition to the mathematising tendency of marginalist economics also came from within neoclassical economics itself. Another major factor against the forward march of mathematisation was the huge influence of Alfred Marshall's magnum opus *Principles of Economics* (1890) which laid the foundations of neoclassical economics for the next half century and became the chief textbook until its replacement by Samuelson's *Economics* in 1948. For more than half a century Walras' mathematical analysis was buried under the rule of Marshallian economics. Although Marshall was a mathematician, his analysis was mostly verbal and diagrammatic and he eschewed the use of mathematics which he relegated to appendices. Indeed, he was explicitly opposed to the use of mathematics as the chief tool in economic discourse. As he wrote in a letter to Arthur Bowley in 1906 (in Whitaker, 1996, vol. 3, p. 130):

But I know I had a growing feeling in the later years of my work at the subject that a good mathematical theorem dealing with economic hypothesis was very unlikely to be good economics: and I went more and more on the rules – (1) use mathematics as a short hand language, rather than as an engine of inquiry. (2) Keep to them till you have done. (3) Translate into English. (4) Then illustrate by examples that are important in real life. (5) Burn the mathematics. (6) If you can't succeed in four, burn three. This last I did often ... I think you should do all you can to prevent people from using mathematics in cases in which the English language is as short as the mathematical.

Similarly, Marshall was against the use of the mechanical metaphor when it came to human conduct preferring instead the biological analogy and emphasising the human over the mechanical element of individual action and the “pliability of human nature”

¹⁸ Poincaré, for example, commenting on Walras' *Elements of Pure Economics* writes that “at the beginning of every mathematical speculation there are hypotheses and that, for this speculation to be fruitful, it is necessary (as in applications to physics for that matter) to account for these hypotheses. If one forgets this condition, then one goes beyond the correct limits”. And, at another point, “you regard men as infinitely selfish and farsighted. The first hypothesis may perhaps be admitted in a first approximation, the second may call for some reservations” (both quoted in Lawson, 2003, p. 270). Levasseur was more critical, while Volterra more supportive.

(da Fonseca, 1991, pp. 50-53). None of these features lends itself to mathematical analysis. Granted his own analysis which eschewed the use of mathematics other than as an auxiliary tool, his strong views on the matter, his emphasis on the human over the mechanical element in human conduct, and his wide influence in the course of neoclassical economics, it was natural that neoclassical economics under his influence would be more or less mathematically confined. This is evident in some prominent representatives of neoclassicism during this period such as John Bates Clark, Eugen von Böhm Bawerk, Jacob Viner and Frank Knight who were all non-mathematical (Mirowski, 1991 p. 148). “Consequently, earlier claims to have attained definitive scientific status simply by means of mathematical expression had grown vulnerable and hard to justify. Thus, mathematical discourse occupied a tenuous position within economics in the half-century or so after the rise of neoclassical economics” (p. 149). Be that as it may, Marshall did more than anybody to promote neoclassical economics in his own non-mathematical way. He won a decisive victory over the British Historical School which involved also personal battles in Cambridge against Cunningham, one of the main representatives of the School. This outcome is not without significance for the later forward march of the mathematisation process in economics. Although Marshall himself was not against the use of history in economics,¹⁹ the main corpus of economics he promoted through his partial equilibrium demand and supply analysis and which became the core of neoclassical economics for the next period was both atemporal (static) and ahistorical in character. And the initial marginalisation of the (British) historical economists and their eventual excision from the economics profession, which induced them to becoming the first economic historians proper, further contributed to the exclusion of the historical element from economic discourse, which in turn eased the expanded use of mathematics in economics (Milonakis and Fine, 2009, chs. 6, 7, 8). The fate of historical economics, which paved the way of the neoclassical dominance in the UK to begin with and globally after the Second World War, is described vividly by William Ashley, a leading member and the first president of the newly founded Economic History Society in 1926 (Ashley, 1927, p. 4)

¹⁹ To the contrary, the first two chapters of the first edition of his *Principles* were on economic history while his *Industry and Trade* (1919) was full of historical expositions and illustrations.

The theoretical economists are ready to keep us economic historians quiet by giving us a little plot of our own; and we humble historians are so thankful for a little undisputed territory that we are inclined to leave the economists to their own devices.

The plot, however, was not to remain undisturbed for long as the emergence of a less than humble cliometrics a couple of generations later, following the formalist revolution of the 1950s, testifies.

3. Preparing the Ground

3.1 Social Change and Ideology

Perhaps the most crucial period for the shaping of modern economic science in the specific direction it took, was the developments during the middle of the twentieth century. This is true of both the intellectual as well as the social and economic developments of this period. The latter, in particular, were of the outmost importance in this trajectory. They included the 1929 Wall Street Crash and the ensuing Great Depressions of the 1930s; Roosevelt's New Deal; the outbreak of the Second World War; and the advent of the Cold War between the USA and the Soviet Union, following World War II. According to one commentator "events and contingencies in the mid-twentieth century would do more to shape the evolution of American economics than any set of ideas alone" (Bernstein, 2001, p. 64). During the Cold War years, the importance of the ideological factor was also powerfully brought to the fore. In this and the next two sections we trace these developments and try to identify the ways in which they shaped the evolution of economic discourse.

Despite this decisive victory over the Historical Schools, the neoclassical economics in its dominant Marshallian form of the 1920s was not in good shape. In the U.S.A. and in Germany, it had not managed to challenge the dominance of the institutionalists and the historicists, respectively; in France it had not made any substantial headway, as there was general distrust for the concept of utility; and in the U.K. (especially in Cambridge) it was under increasing attack from those such as Joan Robinson and Pierro Sraffa (Mirowski, 1991, pp. 151-2, Morgan and Rutherford, 1998, Yonay, 1998).

But the most devastating blow suffered by neoclassical economics came from the developments in the real economy and especially from the 1929 crash and the Great Depression of the 1930s. For the whole period until the 1929 Wall Street crash, the view that was dominant within neoclassical economics was that markets are efficient, and if left alone they would tend to get back to full employment equilibrium.²⁰ The result of these beliefs was that, after the 1929 crash, the market was left on its own to cope with the consequences of the crisis. The ensuing deepest crisis and depression of the twentieth century shook the credibility of neoclassical theory and the belief in the self-regulating abilities of the market almost beyond repair. Or so it seemed at the time. Similarly the crisis made plain the total inability of the neoclassical theory of the day to address the phenomenon of the systemic behaviour of the economy given its individualistic approach, let alone to predict the crisis. In a sense, and ironically, the free, unfettered working of the free markets, preached by neoclassical economists of the era (Keynes' "classical economics"), gave a heavy blow to the credibility of the neoclassical doctrine through the Great Depression it brought about. On top of this were other developments in the real economy such as the rise of large corporations, trade unions and labour law as well as technological dynamism, all of which were outside the purview of neoclassical economics except for Marshall's analysis beyond the organon.

The Great Depression brought about the rise of fascism in Europe and Nazism in Germany which prepared the ground for the Second World War. At the same time, in the midst of a deep recession and soaring unemployment throughout the developed world, it was natural that the energies of economists should be devoted to the pressing needs of the day and to economic policy rather than high theory, as is reflected in Roosevelt's New Deal, which, on the one hand, had the effect of revitalizing institutionalism, and on the other hand, of increasing the demand for specialists, a process which was further boosted by the advent of the Great War (Bernstein, 2001, pp. 74-5, see section 5).

²⁰ This belief was based on a two fundamental assumptions of neoclassical theory. First that supply creates its own demand, what is called Say's law. Granted this law, the possibility of crisis is logically precluded. And, second, that unemployment is the result of high wages, and as a result a cut in wages will bring the economy back to full employment.

3.2 Intellectual Developments

According to Weintraub (1983, p. 18), at the end of the 1920s beginning of the 1930s “the times were still hostile to mathematical economics”. Be that as it may, the 1930s also witnessed some theoretical developments which shook the edifice of economic science in more than one and often contradictory ways.

Chief expression of these developments was Keynes’ *General Theory of Employment, Interest and Money* published in 1936. Being an authentic child of the Great Depression, the main purpose of this book was directed to finding ways for reversing the downward trend in the economy and curing unemployment. Although Keynes, much like Marshall, was trained as a mathematician and the *General Theory* was a theoretical treatise, it was written in typical Marshallian fashion using mostly the discursive mode of expression without, however, eschewing mathematical reasoning altogether.²¹ Some simple algebra and diagrams did find their way into the *General Theory*. However, writing in the spirit of the times, Keynes warned against the excessive use of mathematics in economic discourse. As he puts it (Keynes, 1973 [1936], p. 298):²²

Too large a proportion of recent ‘mathematical’ economics are merely concoctions, as imprecise as the initial assumptions they rest on, which allow the author to lose sight of the complexities and interdependencies of the real world in a maze of pretentious and unhelpful symbols.

Similarly, Keynes was also against the use of econometrics. “His objection to econometrics stemmed from a conviction that econometric tools could not reveal new economic knowledge, as he wrote in his pointed review of Tinbergen’s attempt to test business-cycle theories with statistical tools” (Yonay, 1998, p. 191). At the same time, however, “these historical problems in the economy not only turned economists toward intervention but also created the demand for their services to make concrete plans and suggestions for which the new technical tools of simple mathematical

²¹ Keynes was after all a student of Marshall in Cambridge where he later became a Professor himself.

²² “It is a great fault of pseudo-mathematical methods of formalizing a system of economic analysis ... that they expressly assume strict independence between the factors involved and lose all their cogency and authority if this hypothesis is disallowed” (Keynes, 1973 [1936], p. 297).

models and statistical techniques were well adapted” (Morgan and Rutherford, 1998, p. 12).

At the same time that Keynes was penning the above lines, another process was going on elsewhere in Europe that was going to shape economic science for the decades to come more decisively than Keynes’ writings. Some mathematicians in Vienna were rediscovering Walras’ general equilibrium theory in the midst of the deepest recession of the twentieth century, reinvigorating in this way the mathematisation of the dismal science project. Interestingly, and despite his own intentions, Keynes found himself playing a part in this process, albeit indirectly, in more ways than one. But first look at what was going on in this other part of the world.

With the excision of the social and the historical element from mainstream (neoclassical) economic discourse, the road was open for the fuller mathematisation of economic science, notwithstanding Marshall’s objections and the resistance of the old institutionalist, the historical schools, and, later on, of Keynes himself. Contrary to the spirit of the time, developments taking place in the 1930s played a pivotal role in the reversal of the trend towards the increasing mathematisation of economic science.

Generally, the mathematisation of economics was meant to make economics more “scientific” and more “rigorous”. Before we turn to the developments on this front during this crucial decade, it is instructive to put them into the context of the developments in the physical sciences and the changing meaning of “scientific” and “rigorous”. Ingrao and Israel (1990, p. 33), Mirowski (1989, 2002) and Weintraub (1998, 2002), in their quest for an explanation of the mathematisation of economics, all place emphasis on the relation between developments in physico-mathematical sciences and developments in economics (and other social sciences). And there were, indeed, some major changes taking place in the physical sciences at the turn of the twentieth century which were to have an impact on economics.

Throughout the nineteenth century during which Newtonian physics and rational mechanics dominated the scene, mathematics and physical sciences were fellow travelers. In the late nineteenth century through the work of the early marginalists, a new economics body began to emerge imitating their image (Mirowski, 1989). At the turn of the century the physical sciences, and Newtonian

physics in particular, entered a period of deep crisis associated with the evolution of Einstein's relativity theory and the appearance of quantum physics. At the same time, the meaning of formalisation and rigour in the physical sciences was also changing. During the later nineteenth century, the physics envy era of economics when physics was still ruled by static mechanics, the meaning of formalisation and rigour was associated with forging a link between theory and experimental data. As long as the meaning of science was attached to the real world, American institutionalism and historicism with their strong empirical leanings had a good chance of staying at the centre of the stage as, indeed, occurred during the first third of the twentieth century. Following the crisis in the physical sciences, however, and the establishment of the "new physics" of relativity theory and quantum mechanics, Hilbert's Program in mathematics, also called the "Formalist Program", made its appearance in 1918. Mathematics is now "conceived as a practice concerned with formulating systems comprising sets of axioms and their deductive consequences, with these systems in effect taking on a life of their own" (Lawson, 2003, p. 171). As Hilbert (1928, quoted in Weintraub, 1998, p. 1844) himself puts it, "anything at all that can be the object of scientific thought becomes dependent on the axiomatic method, and thereby indirectly on mathematics, as soon as it is ripe for the formation of theory. By pushing ahead to ever deeper layers of axioms ... we also win ever deeper insights into the essence of scientific thought itself, and we become ever more conscious of the unity of our knowledge".

Following this, the notion of formalisation and rigour changes and is now associated with axiomatisation, deductivism and logical consistency or "establishing the integrity of formal reasoning chains" (p. 1843). With Hilbert's Program, mathematics in its new axiomatic form starts to break away from natural sciences and assumes the leading role. "In the sign of the axiomatic method, mathematics is summoned to a leading role in science" (p. 1844). This transformation of mathematics and its assumption of the leading role in science is reflected in the newly-founded self-assertiveness of mathematicians who started applying their abstract tools to subjects which they hitherto considered as lying outside their field of application. In this way a form of *mathematics imperialism* was unleashed: anything that claims to be

scientific can be translated into mathematics, including biology and economics.²³ It is no accident then that this process of the axiomatisation of mathematics and its breaking away from physical sciences reaches a climax during the 1930s, a decade during which economics draws the attention of first rate mathematicians for the first time. This coincides with the *second major rupture* and the beginning of the third, final and decisive phase of the mathematisation of economics. This is the era where the *mathematics envy* associated with increasing axiomatisation, formalisation and abstractness, substitutes for the physics envy of the nineteenth century, eventually giving rise to the “formalist revolution” of the 1950s, to which we now turn our attention (Weintraub, 1998).

4. The Roaring 1930s

Although the “formalist revolution” took off in the 1950s, the intellectual developments which took place during the 1930s opened the way for this revolution to take effect. So what were these developments and why were they so decisive for the mathematisation and formalisation of economics?

First, was the (re) definition of economics in terms of scarcity and choice. What all neoclassical writers from Walras and Marshall to Samueslon and Debreu (see below), despite their big differences, hold in common, is their focus on the actions of individuals as their basic unit of analysis. This is the famous homo economicus, Veblen’s “lightning calculator of pleasures and pains”, or, in other words, the individual stripped of all historical and social context. Until Robbins, however, the definition of economics did not reflect this. Economic was generally defined in terms of its subject matter as the science of wealth or “the study of the ordinary business of life” (Marshall). “Given such definitions it was not clear that economics was a field

²³ In their article on the role of the Bourbaki school in economics, Weintraub and Mirowski (1994, p. 246) maintain that “this work is ... a case study of how one distinctive mode of mathematics could make inroads into a seemingly distant field and subsequently transform that fields self image, as well as the very conception of inquiry. To be more precise, we shall present a narrative of how the Bourbakist school of mathematics rapidly migrated into neoclassical mathematical economics”

that could be studied with high level of mathematical rigour” (Backhouse, 2010, p. 100). This was put right by Robbins in a non-mathematical text! In his definition, economics becomes the science “which studies human behaviour as a relationship between ends and scarce means which have alternative uses” (Robbins, 1932, p. 15). So the focus of attention as far as the definition of economics is concerned shifts away from the preoccupation with the study of the economy or the market, however defined, or the causes of wealth and material welfare, to individual rationality, scarcity and choice. So economics becomes the science of (rational) choice.

Such a definition of economic science has another, rather surprising, implication. It makes the utilitarian principle redundant. According to Robbins (1932, p. 83?) “The hedonistic trimmings of the works of Jevons and his followers were incidental to the main structure of the theory which ... is capable of being set out and defended in absolutely non-hedonistic terms”. To be sure, the mechanical metaphor is still alive and well, the only casualty being the requirement of a theory of human nature and individual behaviour, other than the rationality principle with given tastes and preferences. This line of argument both with respect to the mechanical metaphor and the rationality axiom was first put forward by Pareto in his *Manual of Political Economy* (1971 [1906]) and his *Mind and Society* (1935 [1916]) respectively, and was carried to its logical conclusion by Arrow’s *Social Choice and Individual Values* (1951) (see section 7). Pareto was also one of the pioneers, along with Fisher and Cassel, of the concept of ordinal as apposed to cardinal utility. According to him, neoclassical theory rests on “the determination of the quantities of goods which constitute combinations between which the individual is indifferent ... the individual van disappear, provided he leaves us this photograph of his tastes ... The theory of economic science thus acquires the rigor rational mechanics” (quoted in da Fonseca, 1991, p. 54, also pp. 53-55, Milonakis and fine, 2009, pp. 219-224). Although Robbins’ definition was not widely adopted at the time, it gradually did so and especially following its inclusion in Samuelson’s *Economics* in 1948.

This switch of emphasis had two important implications. First, it greatly facilitated the process of the mathematisation of economics since, given the appropriate assumptions regarding human behaviour, rationality and choice (especially in the absence of uncertainty) are amenable to mathematical modeling. “His definition suggested that rigorous mathematical methods could be at the heart of

economics. For economic science was about working out the implications of the need for choice under conditions of scarcity. Making the best use of scarce resources led directly to the notion that economics was about optimization; hence, that the methods of differential calculus could be used” (Backhouse, 2010, p. 101). The second implication is that given that economics is no longer defined in terms of its subject matter, its scope of application increases enormously, a possibility that was later to be realised starting in the 1950s through the work of Gary Becker and others which set off a process of what came to be known as economics imperialism (Milonakis and Fine, 2009, ch. 12, Fine and Milonakis, 2009).

Third, there was a distinctive change of climate as far as the role of mathematics in economics is concerned. “In fact, the 1920s and 1930s witnessed many changes in the antitheoretical and largely antimathematical climate prevailing among professional economists. A decisive push in this direction was later to be supplied by immigration” (Ingrao and Israel, 1990, p. 249).²⁴ This is reflected in the differences in the constitutions of the two major economics associations, the American Economic Association (AEA) which was founded in 1885 just a few years after the marginalists wrote their treatises, and the Econometric Association founded in 1930. According to the AEA constitution (quoted in Ingrao and Israel, 1990, p. 146):

We believe that political economy as a science is still in an early stage of development. While we appreciate the work to former economists, we look not so much to speculation as to the *historical and statistical study of actual conditions of historical life* for the satisfactory accomplishment of that development (emphasis added).

The historical overtones, vestiges of the German influence upon economics in America at the time, are evident. There is very little trace of the marginalist proclamations in this statement. The mathematical mode of reasoning in economics was still in its infancy and certainly had not yet penetrated American economics to any serious extent.

²⁴ Note, however, that immigration also worked in the opposite non-mathematical direction through the likes of Schumpeter, Hirshman and many others.

Compare this statement with the following, found in the constitution of the Econometric Society (<http://www.econometricsociety.org/society.asp#constitution>, quoted in Backhouse, 2010, p. 99):²⁵

The main object shall be to promote studies that aim at a unification of the theoretical-quantitative and the empirical-quantitative approach to economic problems and that are penetrated by constructive and rigorous thinking similar to that which has come to dominate in the natural sciences.²⁶

Similarly, the explicitly stated aim of the Cowles Commission, founded in 1932, was “to advance the scientific study and development ... of economic theory in its relation to mathematics and statistics” (Christ, 1952, p. 11).

So, first, the distinctive change of climate in favour of mathematical reasoning in economics was reflected in the foundation of two institutions (the Econometric Society in 1930 and the Cowles Commission in 1932) and one journal (*Econometrica*, founded in 1933 and published by the Econometric Society), all devoted to the promotion of mathematics and statistics in economic discourse. What hitherto had been the aims of more or less isolated individual writers, now became the programmatic goal of two newly-founded institutions which were destined to play a decisive role in the transformation of economics. This is the first time that Jevons’ and Walras’ programmatic statements quoted above become reflected in some official document, hence providing the first step towards the institutionalisation of the use of mathematics in economic discourse. Be that as it may, there was still a long way until the mathematisation of economics was to fully materialise.

At the same time the meaning of “rigour” and “scientific economics” was also changing, in accordance with the developments in mathematics and the physical sciences described above. “Scientific rigour meant logical rigour, dictating that the economics be concerned with developing and analysing precisely specified

²⁵ Ragnar Frisch and Irving Fisher were among the founding members of the Econometric Society (Weintraub, 1983, pp. 80-81).

²⁶ As evidenced by this proclamation, econometrics then had a different and wider meaning including mathematical economics as well as statistical techniques for applied research (Yonay, 1998, pp. 187-8, Backhouse, 1998, p. 85).

mathematical models”, in opposition to the meaning attached to the terms before, both in the physical sciences in the nineteenth century, and in economics in the U.S.A. and elsewhere until the 1930s when “scientific rigour meant ensuring that scientific theories were firmly rooted in the real world” (Backhouse, 2010, p. 99).

This change of climate coincides with the influx of a number of mathematicians, scientists and engineers into economics.²⁷ Importantly, it also coincides with the (re)discovery Walras’ general equilibrium theory which, as seen already, had been buried for about half a century under Marshall’s flourishing partial equilibrium analysis which was synonymous with the neoclassical economics of the time. What is also new is that this (re)discovery was made not only by economists such as Sir John Hicks but also, and importantly, by some top rate mathematicians who started showing some interest in mathematical economics for the first time, another reflection of the changing climate. Although up until then mathematical economics was mostly practiced by people trained in sciences (physicists and engineers), leading mathematicians and physicists either showed no interest or, when they did, it was in order to provide dismissive comments on work of (mathematical) economists.

The venue for this encounter was Karl Menger’s mathematics colloquium in Vienna where some of the top mathematicians of the epoch took part (among them Gödel, von Neumann and Wald).²⁸ It is there that mathematical economists and mathematicians alike presented their work in mathematical economics in front of an audience of mathematicians. Presenters included Schlesinger, 1932, Wald, 1936, 1937, von Neumann, 1938, and Morgenstern, 1937. Two of them (Wald and von Neuman) were mathematicians while Schlesinger and Morgenstern were economists. Interestingly, what most of them (with the exception of Morgenstern who presented a paper on game theory) offered was some form of reformulation of Walras’ general equilibrium system from an axiomatic viewpoint. This was done by “scholars with

²⁷ Among them Ragnar Frisch (1895-1973), Harold Hotelling (1895-1973), Jan Tinbergen (1903-1994), Tjalling Koopmans (1910-1985), Maurice Allais (1911-2010), Kenneth Arrow (1921-) and Gerald Debreu (1921-2004) (see Mirowski 1991, p. 152).

²⁸ Karl Menger was a mathematician and the son of the marginalist Carl Menger.

perfect mastery of mathematical formalism” (Ingrao and Israel, 1990, p. 177).²⁹ Most mathematicians were still dissatisfied with Walras’ system for failing to satisfy the standards of consistency and logical clarity they had come to associate with mathematics in the wake of Hilbert’s axiomatisation of mathematics. It was during this time that “the foundations were laid for the theory’s *axiomatisation*” a process that reached its climax in Debreu’s (1959) *Theory of Value* (pp. 176 and 175-9, 188-197, Punzo, 1991, Weintraub, 1983, 2002, chs 3,4).

It was not only mathematicians that rediscovered Walras’ general equilibrium system in the 1930s. Economists themselves also started showing interest again including Hotelling, Lange and Hicks. Lange used the model of general equilibrium, if in a non-mathematical way, during the calculation debate in order to show that some sort market socialism is feasible. The chief moment of this rediscovery by economists, however, was Hicks’ *Value and Capital*, published in 1939, which represented a sort of bridge between Walras’ *Elements* and Samuelson’s *Foundations of Economic Analysis* (1947). Based squarely on the tradition of the Lausanne School of Walras and Pareto, Hicks tried to combine the static theory of prices with the dynamic problems of capital and trade cycles. Having failed to fulfill this (difficult) task, Hicks, much like Walras before him, once again attracted criticism (from Morgenstern in particular) on the grounds of lack of rigour and poor axiomatics. Be that as it may, Hick’s book, probably because of its eclectic nature, proved to be an important stepping stone for the reinvigoration of Walras’ and Pareto’s project, and, through that, for the further mathematisation of economic science not least because of the influence it exerted on two other extremely influential figures of the formalist revolution, Paul Samuelson (1915-2009) and Kenneth Arrow. Both Samuelson’s *Foundations* and, especially, Arrow’s work in the 1950s, were attempts to fulfill Hicks’ or similar tasks, but on more mathematically rigorous foundations (Weintraub, 1983, pp. 19-21, Ingrao and Israel, pp. 177-8, 235-244, 260—9, 272-7).

²⁹ It is interesting in this respect to note that von Neumann was the link between Hilbert’s program in mathematics and the formalisation of economics, later to be joined by Debreu through the Bourbaki group (see below). As Weintraub (1998, pp. 1842-3, notes 9 and 10) puts it, “Hilbert and formalism in economics are inextricably linked through von Neumann”. Hilbert worked with von Neumann on quantum mechanics in the 1920s and 1930s, “a period in which von Neumann axiomatised two-person zero-sum game theory”.

The 1930s also brought about some real developments in the modeling method. A “new practice” of modeling with “small scale [diagrammatic, algebraic, arithmetic] objects depicting aspects of the economy that can be analysed and manipulated in a number of ways” was introduced (Morgan, 2012, p. 13). This decade, as seen already, also witnessed the beginning of a new branch of quantitative economics, econometrics, through the foundation of the Econometric Society and the appearance of Tinbergen’s first econometric model. One other example of this new modeling practice was Frisch’s (1933) model of business cycles.³⁰ Tinbergen was the first to use the term “model”, which he borrowed from physics, in order to describe the mathematical and statistical objects he and Frisch were using. The widespread use of models in economics though had to wait a little longer. “The label, the idea, and the use of models became the natural way to work for economists only in the period from the 1940s onwards”. By that time “modeling had become *the* accepted mode of reasoning in economics in the sense that it became ‘the right way to reason ... what it is to reason rightly’” (Morgan, 2012, pp. 12, 14, 10-4). Indeed, the history of the modeling practice in economics follows closely the history of its mathematisation: the period between 1750-1870 represents the prehistory of modeling with isolated examples of models. The period between 1870-1930 witnesses the “first generation of modelers, a very few economists who regularly made and used such research objects”, and the period between 1930 and 1960 was the take off era when modeling assumed widespread use in economics for the first time (p. 6) having been picked up within macroeconomics as well. To this periodisation can be added the period since the 1970s when constructing models became synonymous to doing (“scientific”) economics.

Interestingly, as already noted, and despite his own intentions, Keynes found himself playing a role in the revitalising process of the mathematisation of economic science. Although he himself used mostly the verbal mode of reasoning, the macroeconomic categories he introduced including (aggregate) consumption and investment, national income, government spending, demand for money etc., gave a great boost to the further quantification of economics in the form of national income

³⁰ Tinbergen and Frisch won the Swedish Central Bank prize in honour of Alfred Nobel in 1969 for this model-based research (Morgan, 2012, p. 10).

accounting and especially to the econometrics project that was just emerging. This process of creating National Income Accounting methods had started as early as 1920 through the establishment by the institutionalist Wesley Mitchell of the National Bureau of Economic Research (NBER). One of its most prominent members was Kuznets, a statistician and quantitative expert, who played an important role in the quantification project. “The development of a modern system of national income accounting provided a crucial ingredient for the elaboration of a professionalized economics. Its most obvious and immediate impact task was to provision academics and policy makers with the kind of empirical detail and precision that made their work all the more authoritative and persuasive” (Bernstein, 2001, p. 78)

At the same time, no sooner was the *General Theory* published than concerted efforts were made to give his theory a more formal treatment. These included James Meade’s (1937) attempt to give “A Simplified Model of Mr Keynes’ System” which included “an eight-equation algebraic treatment”, Samuelson’s similar attempt to model the Keynesian relations in 1939, and, above all and famously, Hick’s IS-LL (later IS-LM) attempted formal interpretation of Keynes’ analysis of investment and money in his classic article “Mr. Keynes and the Classics” also published in 1937 just one year after the publication of Keynes’ *General Theory*. Hicks’ analysis, which used two diagrams and three equations, “became the organizing theoretical apparatus of the emerging discipline of macroeconomics” (De Vroey and Hoover, 2004, p. 3, Morgan, 2012, p. 12 and ch. 6).

The common elements in all these endeavours was the attempted reconstruction of some aspect of Keynes’ theory in terms of formal (mathematical and/or diagrammatical) models. Indeed, if there is any trace of Keynes in modern economics textbooks, this is through Hick’s filter in the form of the IS/LM analysis. So, Hicks is of symbolic importance for our narrative not only because he was one of the forerunners of the formalist revolution through his monograph *Value and Capital*, published in 1939, which influenced both Samuelson and Arrow, but also because he was one of the first to have a go at subsuming Keynes’ work to mathematical formalism already from its formative years, through his IS-LL formulation. This process was to continue in the 1940s and 1950s through the work of Klein (1947) which was one of the first books which attempted to mathematise Keynes’ theory, Patinkin’s *Money, Interest and Prices*, published in 1956, and various articles by

Tobin and Modigliani in the late 1950s giving rise to what Samuelson has called the “neoclassical synthesis” or what has variously been called “bastard Keynesianism” by Joan Robinson, or “hydraulic Keynesianism” by Allan Coddington (1983).³¹

5. Consolidation: From Vienna to the Cowles Commission

In the 1940s, the scene of the further developments in mathematical economics moves across the Atlantic to the U.S.A. which was to become the new centre of modern (mathematical) economics, a hegemonic position it still enjoys until today. The role of the Cowles Commission in this process cannot be overestimated. According to Weintraub (1983, p. 18), “It is ... not too far off the mark to identify the Cowles Commission with mathematical economic theory in the U.S.” This coincides with the mass emigration of scientists from Europe because of the rise of Nazism and the war: von Neumann, Wald, Menger and Lange were among them. The array of people who served in the Commission is impressive and represents the *dramatis personae* of mathematical economics of the next two decades.³² Many of them came from other sciences to economics.³³ Two of the most important works in mathematical economics in the 1950s were Cowles Commission monographs: Koopman’s *Three Essays on the State of Economic Science* (1957) and Debreu’s *Theory of Value* (Ingrao and Israel, 1990, pp. 255-7, Mirowski, 1991, p.152, see also below).

The 1940s witnessed the next major step in the formalisation and mathematisation of economics. This took the form of two monographs that were meant to play a decisive role in the process: von Neumann’s and Morgenstern’s

³¹ For Samuelson the neoclassical synthesis represented “the synthesis of Keynesian demand-management policy with the use of the price mechanism to allocate resources, but this position rested on a synthesis of the Keynesian macroeconomic income determination theory with classical or neoclassical macroeconomic principles ... The neoclassical synthesis involved a synthesis of the Keynesian theory of unemployment with ‘classical’ or ‘neoclassical’ ideas about how the economy operated at full employment” (Backhouse and Boianovski, 2013, p. 41). On the history of the IS-LM model see the articles in de Vroey and Hoover (eds, 2004). On the neoclassical (or neo-Walrasian) synthesis see Weintraub (1979, ch. 4) and Backhouse and Boianovski (2013, ch. 3).

³² The list includes the likes of Lange (1938-43), Wald (1937-9), Menger (1937), Marschak (1943-8), Haavelmo (1943), Koopmans (1944), Klein (1944), Arrow (1947), Simon (1947), Debreu (1950-1955), and Patinkin .

³³ Wald, Menger, Arrow and Debreu were mathematicians and Koopmans studied mathematics and theoretical physics before turning to economics.

Theory of Games and Economic Behaviour (1944) and Paul Samuelson's *Foundations of Economic Analysis* (1947). Although these were two different types of books which provided the basis for different research programs in economics and at different times,³⁴ they both contributed to a great extent in their different ways to the further formalisation and mathematisation of economic science. Von Neumann and Morgenstern's volume represents the first major work in which the new type of axiomatised mathematics was entering economic discourse. According to Debreu (1986, p. 1265) this volume "gained full rights for uncompromising rigor in economic theory and prepared the way for its axiomatisation", a process to which he himself contributed to no lesser extent over the next fifteen years or so. What is more, this was done by one first rate mathematician (von Neumann) and one economist (Morgenstern), thus representing the first book-length incident of the newly-founded form of *mathematics imperialism* in economics which had first taken shape in Menger's seminar over the previous decade.

Samuelson's book, which, as already seen, was influenced by Hick's *Value and Capital*,³⁵ more than any other single work in economics symbolises the new era in economics. Unlike von Neumann and Morgenstern's book which was a reflection of the latest formalising developments in mathematics, representing the new mathematics envy tendency in economics, Samuelson's chief influence came from the developments in physics, thus representing a step back in the direction of the physics envy of the nineteenth century - only that the type of physics he was imitating was the thermodynamics of late nineteenth century, rather than the mechanics of the earlier nineteenth century.³⁶ On top of setting the standards of rigour, the concept of

³⁴ Although Samuelson's book made an immediate impact, it took several decades (in the 1970s and 1980s) before game theory became a research project to be reckoned with within economic science.

³⁵ As Samuelson (1998, p. 1381-2) notes, never short of compliments to others, and himself, "Among working economists in the 1930s John Hicks and Ragnar Frisch (two very different economists) got the most attention from me". And, he continues, "when I got to know John and Ursula Hicks well, I said to him: 'I have the best of both worlds. I know your work and I know my own, too'" (p. 1382).

³⁶ According to Weintraub (1991, p. 66 quoted in Lodewijks, 2001, p. 323) "the mathematics of dynamic systems, through Birkhoff and Picard, the applied mathematical analysis of systems from Lotka, the thermodynamics of the late nineteenth century through Gibbs via Wilson, and the confused literature of economic dynamics of the 1930s all shaped the way Samuelson constructed his arguments in the *Foundations*". And, according to Samuelson's (1998, p. 1376) own recollections, "I was vaccinated to understand that economics and physics could share the same formal mathematical

constrained maximisation he introduced became the economist's chief tool for the next several decades. Samuelson became the symbol of the new era also for another reason. His textbook *Economics*, published in 1948, replaced Marshall's and became the standard textbook for the new era.

During the 1940s the process of mathematisation and axiomatisation of economics was given further impetus by the war, which had both immediate and long-term implications, all in the same technical direction. The direct implication of economists in the war was not without consequences:

Economists not only found their technical expertise useful in making decisions about how to deal with economic shortages (rather than oversupply as in the Great Depression) but turned their techniques to any number of wartime questions, using simple mathematical optimizing models, linear programming techniques, and statistical measurement devices. [Economists were brought in to fight the war directly, planning the optimum bombing-raid design and statistically analyzing firing patterns.] Economists found that by using tool-kit economics and the developing neoclassical technical expertise they could answer questions in very different fields (Morgan and Rutherford, 1998, pp. 12-3).

So, it was the need to mobilise resources through the regulation of the economy in the context of military planning that increased the demand for the economists' skills and offered them the chance to apply their technical prowess, mostly in the areas of resource allocation and strategic decision making. The work of Kuznets and Nathan on national income accounting and that of Koopmans on the most efficient transportation routes were of particular importance in promoting quantitative reasoning in economic discourse. The end result was that "economists emerged from the war covered in glory, perhaps launching the 'economic imperialism' in social sciences over the next half century" (p. 13).

theorems (Euler's theorem of homogeneous functions, Weierstrass's theorems on constrained maxima, Jacobi determinant identities underlying Le Chatelier reactions etc.), while still not resting on the same empirical foundations and certainties".

Ironically, then, it was “the collectivized and centralized war economy that gave neoclassical economists the chance to prove themselves ... Not individualism but rather statism provided the special circumstances ... From the end of the Great War to the advent of the cold war, the American economics had come to age” (Bernstein, 2001, pp. 80, 81-2, 88-89).

Such an outcome may not be as paradoxical as it may seem at first sight. Back in the 1930s in the context of the second phase of the socialist calculation debate, Oscar Lange, in his attempt to show the feasibility of market socialism, had argued that Walrasian general equilibrium system which is supposed to be a decentralised model of the market economy, was in fact a *centralised* system. This was due to what Arrow (1953, p. 43) has called a “logical gap” in the theory. In the absence of any real agent to make a decision on price in a perfectly competitive world, the fictitious auctioneer was called upon to play this role. Granted this, according to Lange (1938, pp. 89-90), a centralised system could actually achieve better results partly because the place of a theoretical construct - the fictitious auctioneer - is taken by an institution with actual, real existence - in Lange’s model the Central Planning Board (CPB), in the case of the war economy, the appropriate government body (see also Milonakis, 2003, pp. 99-101).

As Mirowski (2002) has shown, the war also had a big impact on economics through the militarisation of scientific research it brought about, leading to the development and use of advanced mathematical tools, what later became known as operations research, but also artificial intelligence, information theory and cybernetics, which were later on applied to economics leading to a new economic methodology. Mirowski focused on figures such as von Neumann, Simon and Koopmans in order to show the role of the military in the evolution of modern mainstream economics.

However, the impact of these developments was not immediate but gradual, leaving “their footprint upon some important postwar developments in economics such as highbrow neoclassical theory, game theory, rational expectations theory, theories of institutions and mechanism design, the nascent program of ‘bounded rationality’, computational economics, ‘artificial economies’, ‘autonomous agents’, and experimental economics” (Mirowski, 2002, p. 9, also Boland, 2006, Rizvi, 2001: 217). As Weintraub (1991, p. 93, quoted in Lodewijks, 2001, p. 324) puts it,

“Economists began to use tools once those tools became widely used by those working in applied mathematics, engineering, and other applied sciences ... Issues of control, guidance and stability became extremely important in war-related research in applied mathematics ... the period from 1946 to the early 1950s saw wider dissemination of the results ... to the mathematical economics community”.

6. The Take Off

If the 1930s was the decade when the prelude of the formalist revolution was written and the 1940s the decade of its consolidation, the 1950s was the take-off period when the formalist revolution reached its climax. The pinnacle of this process was Arrow and Debreu’s (1954) proof, for the first time, of the existence (but not uniqueness or stability) of a general equilibrium, and the re(in)statement of the Walrasian general equilibrium system in a more mathematically formalised and rigorous way in Debreu’s *Theory of Value* in 1959.

Some developments in economic methodology during this decade were of crucial importance in giving a further boost to the increasing abstractness and formalisation of economic theory. Here Friedman’s highly influential 1953 essay “On the Methodology of Positive Economics” played a key role. According to Friedman, first, the role of economic theory is not to explain economic phenomena but to make correct predictions and, second, that the assumptions economists make should not necessarily be realistic as long as they make good predictions. Not only that, but the less realistic the assumptions the better are the theories. Economic theories in this conception become instruments of prediction, hence the label instrumentalism. If the predictions are correct then one proceeds as if the assumptions were correct. Despite some heavy criticism coming mostly from economic methodologists, this methodological position was to play a major role in subsequent developments in economic thought, simply because it was convenient. In some sense it liberated economists who began to construct less and less realistic models using more and more sophisticated mathematical techniques without any circumspection. The emphasis

began to be laid on the perfection of mathematical techniques and less on the explanation of economic phenomena.³⁷

The mathematical proof of the existence of equilibrium in a Walrasian system by Arrow and Debreu (1954) brought an end to a quest that started some eight decades back in the remote 1870s with Walras' work on general equilibrium. However, it did so at a huge cost. The necessary assumptions for this proof were simply extraordinary, including that "there are forward markets for every commodity in all future periods and for all conceivable contingencies and yet no one holds money as a store of value for more than one period" (Blaug, 1998, p. 11). So, the Arrow-Debreu proof evidently had more to do with mathematical logic than with economic reasoning as such.

The simple most important manifestation of this tendency is Gerald Debreu's book *The Theory of Value* (1959). In this work, the line of research in general equilibrium theory which started through the reworking of the Walrasian general equilibrium system in an axiomatic way by Schlesinger, Wald, von Neumann (all in Karl Menger's seminar), Koopmans, McKenzie and Arrow and Debreu, in the wake of Hilbert's Program in mathematics, reached a climax. Debreu's affiliation with Hilbert's Program came through the Bourbaki group. Back in Europe Hilbert's Program in mathematics suffered a blow because of the proof of Gödel's incompleteness theorems in 1931 which "demonstrated the impossibility of setting up a completely consistent mathematical system" hence showing that Hilbert's program is untenable (Dow, 2003, p. 552).³⁸ Despite this, the search for a more robust and rigorous mathematics based on axiomatics went on unabated until at least the 1970s.

³⁷ Even so, Friedman's methodological proclamations were only practiced selectively by economists, since, as McCloskey (1985, p. 9) has argued, predictions falsified by the data very rarely led to the abandonment of the theories, reflecting what Hausman (1992, p. 152) has called "the striking methodological *schizophrenia* that is characteristic of contemporary economics, whereby methodological doctrine and practice regularly contradict one another".

³⁸ "The First Incompleteness Theorem provides a counterexample to completeness by exhibiting an arithmetic statement which is neither provable nor refutable in Peano arithmetic, though true in the standard model. The Second Incompleteness Theorem shows that the consistency of arithmetic cannot be proved in arithmetic itself. Thus Gödel's theorems demonstrated the infeasibility of the Hilbert program, if it is to be characterized by those particular desiderata, consistency and completeness" (Kennedy, 2011).

One of the best expressions of this continued quest was the formation of the Bourbaki group, the pseudonym of a group of mathematicians in France whose aim was to reconstruct mathematics on an axiomatic basis.³⁹ Bourbakism soon spread outside France and especially in America during the 1950s. “Bourbaki came to uphold the primacy of the pure over the applied, the rigorous over the intuitive, the essential over the frivolous, the fundamental over what one member of Bourbaki called ‘axiomatic trash’. They also came to define the disciplinary isolation of the mathematics department in post-war America” (Weintraub and Mirowski, 1994, p. 248).⁴⁰ According to them, the role of mathematics is “to identify ‘the fundamental structures’ of operation in mathematics” and thus to construct an axiomatic theory as “a consistent set of definitions”, or “an empty schema of ‘possible realities’” (Ingrao and Israel, 1990, pp. 284, 285).

The liaison between the abstract formalism of the Bourbaki School and economics was Gerald Debreu who was a student of Cartan, a French mathematician and member of the group.⁴¹ Debreu made no secret of his admiration of the work of the group. As he puts it, “the new levels of abstraction and purity to which the work of Bourbaki was raising mathematics had won a respect that was not to be withdrawn” (quoted in Mirowski, 1993, p. 52). Debreu joined the Cowles Commission in 1950. The reorientation of research at the Cowles Commission from empirical to theoretical/mathematical work had already started under the research director Tjalling Koopmans in the 1940s. The focus of the research was the Walrasian general equilibrium but “counting equations and unknowns in the Walrasian system” was no longer satisfactory (Debreu, 1984, p. 268). According to Debreu (1984, p. 267) himself, “One leading motivation for that research was the study of the theory of general economic equilibrium. Its goals were to make the theory rigorous, to generalize it, to simplify it, and to extend it in new directions”. Following the arrival of Debreu “Bourbakism quickly became the house doctrine of the Cowles

³⁹ Diedoriné, Cartan, Weil and Mantelbrot were among them.

⁴⁰ And for Ingrao and Israel (1990, p. 283).] “The characteristic peculiar to ‘Bourbakism’ was that of pushing the Hilbertian axiomatic approach to its extreme consequences”.

⁴¹ Debreu was also influenced by Maurice Allais, the French mathematical economist and Nobel laureate who wrote in the tradition of the Lausanne School of Walras and Pareto (Debreu, 1984, p. 268).

Commission. We would identify the primary philosophical asserting this turning point as Koopman's *Three Essays on the State of Economic Science* (1957) and Debreu's *Theory of Value* (1959)" (Weintraub and Mirowski, 1994, p. 263). As Debreu (1959, p. x) puts it in the Preface of his book, "The theory of value is treated here with the standards of rigor of the contemporary school of mathematics", according to which "an atomized theory has a mathematical form that is completely separated from its economic content" (Debreu, 1986, p. 1265). "It seems clear that Debreu intended his *Theory of Value* to serve as the direct analogue of Bourbaki's *Theory of Sets*, right down to the title ... Just as with Bourbaki, the problem was to justify the initial identification of the *structures*" (Weintraub and Mirowski, 1994, p. 265). This took the form of Walras' general equilibrium theory which "in Debreu's interpretation ... loses its status as a 'model' to become a self sufficient formal structure" (Ingrao and Israel, 1990, p. 286). The formalist revolution had reached its peak, as had the total detachment of theory from any claims to realism and real world relevance. "The objective was no longer to represent the economy, whatever that might mean, but rather to codify that elusive entity, the Walrasian system" (Weintraub, 2002, p.121). The cost of theoretical "rigour" and mathematical elegance was indeed immense.

The 1950s represented the pick of a process that had its roots in the marginalist revolution but was reinvigorated since the 1930s giving rise to the formalist revolution. This process involved, first, the transformation of Marshallian economics into mathematical form. This took place through the Robinsonian redefinition of economics as the science of rational choice, hence making mathematical reasoning (in the form of calculus through the maximization and minimization subject to constraints) a *defining* feature of economic science. Second, the rediscovery and the rigorous, mathematically formalised reformulation of the Walrasian general equilibrium theory. Third, the emergence and subsequent development of econometrics (in today's meaning of the term) as a separate branch of mathematical-statistical inquiry. Last, is the subsumption of Keynes' economics to the formalist revolution giving rise to the Keynesian economics of the neoclassical synthesis, also known as bastard of hydraulic keynesianism. The new economics thus established represented a sharp break with old-fashioned, Marshallian type neoclassical economics of the interwar period.

In 1958 the Association of Evolutionary Economics was established in the U.S.A. signifying the defeat of institutional economics by mathematical neoclassical economics by granting them “a little plot of their own”, in the same way that the establishment of the Economic History Society in 1926 signified the defeat of the Historical Economics by neoclassical economics (see above). One by one the old adversaries of neoclassical economics were being pushed on one side to give room for the new ascending orthodoxy. The formalist revolution was associated with the increasingly dominant position of mathematical neoclassical economics at the expense of pluralism (Yonay, 1998, ch. 9, Morgan and Rutherford, 1998). ,

7. No ideology please we are economists?

Neoclassical economics and liberalism have been fellow travelers since the inception for the former during the marginalist revolution. This intimate relationship was, to begin with implicit in the inbuilt ideological biases of neoclassical theory favouring free markets. What was implicit in the pre-war neoclassical economics was made explicit during the Cold War era through the attempts to build the explicit theoretical and philosophical foundations of political liberalism and western type democracy. This mostly took the form of rational choice theory. With rational choice theory the parallel journey between rationalism and liberalism, a journey that started during the Enlightenment reaches a climax (Amadae, 2003).

The political and ideological climate during the interwar period and socio-economic developments such as the birth of the Soviet Union and the Great Depression in the West meant the climate was not conducive for a theory favouring free markets to dominate the scene. Even neoclassical proponents were skeptical of the power of free markets to deliver full employment and prosperity. This continued unabated in post-War Europe. In Britain, during this period, “collectivism, premised on Fabianism and Keynesianism, was the ruling orthodoxy of all parties and governments” (Cockett, 1994, p. 6). The so-called Golden Age capitalism was associated with Keynesian anti-cyclical intervention in the economy and the emergence of the modern welfare state.

All this changed dramatically after the Second World War especially in America. Having defeated Nazism and Fascism a new opponent was found in the face of their war allies the Soviet Union. Although this war had military aspects to it, it was a war fought mostly at the ideological level. “In light of the Cold War ideological struggle against the Soviets, this enterprise of securing the philosophical basis of free world institutions was critical” (Amadae, 2003, p. 12). The ideological climate after the Second World War which was highly influenced, if not determined by, the Cold War and McCarthyism, played a pivotal role in this turn of events in economic science. This was done both directly through personal purges and the suppression of certain ideas, and indirectly through the direction of state related funding to specific kinds of research at the expense of others.

The name of the game for US administrators was to counter communism and the collectivist ideology. “Certain kinds of economic analysis were regarded as dangerous, wrongheaded even treasonous ... The impact of McCarthyism was profound and widespread. It played no small part in the enfeeblement of other intellectual traditions” (Bernstein, 2001, pp. 105-6). The most obvious target was of course Marxism because of its direct affinities with the communist ideology. Marxists and left wing economists more generally put their careers at grave risk: “they could be denied promotion, left without search funding, and sequestered from journal editorial boards, all on the basis of a professional ‘vetting’ regarded as apolitical and rational” (p. ???). But Marxists were not alone in this. Keynes’s legacy, which was gaining more and more support even in the USA, was another target of McCarthyist attacks. The problem was of course that Keynes favoured government intervention and a strong state. The result was that anything to do with Keynesianism was associated with the collectivist ideology and a witch-hunt started which lasted throughout the 1940s and 1950s (Goodwin, 1998, pp. 56-62).

A good example of the results of these purges on economic science is given by what may be called the Tarshis-Samuelson incident. Lorie Tarshis published his textbook in 1947 and rapidly became adopted throughout the United States. But then came the reaction: “It was a nasty performance, an organized campaign in which they sent newsletters to all the trustees of all universities that had adopted the book” (Tarshis in Colander and Landreth, 1966, p. 68). Orders started being cancelled, as universities became concerned about, even suffering threats of, loss of endowments.

The result was that “it really died in 1948 or 1949. And then Samuelson’s book came out a year later, in 1948”. As explained in Milonakis and Fine (2009, pp. 287-293) the main reason for this is that Tarshis took an explicit Keynesian stand: “the importance of avoiding unemployment cannot be overstated ... The upshot of the analysis ... is that unemployment can be cured”. He even presented this position as enjoying wide acceptance from left to right. For the McCarthyist witch-hunts, you could not be more Marxist than that. This is only one incident among many during this turbulent period.⁴² What was the result? Although Keynesianism did prevail in the United States it was different from Keynes’ economics.

Recent scholarship has also brought to the fore the ways in which governments and in particular defense related agencies have exerted a direct influence in the construction of specific theories. Following the war, the military establishment in the US continued to have a direct role in the development of science and of economics in particular influencing decisively the way in which the latter evolved in the immediate post war period. This was done through the direction of funding to specific research programs. Thus most of the funding of the Office of Naval Research, for example, went to mathematical economists, Arrow and Debreu in particular, because research in areas of mathematics and mathematical economics was considered more valuable to the objectives of national defense and security. “The Arrow- Debreu project was noted for its modelling of conflict and cooperation ... whether it be for combat or procurement contracts or exchange of information among dispersed decision makers” (Bernstein, 2001, 97).] In 1945 the Rand Corporation was founded by the US Air Force whose chief aim was to continue the scientific developments of the war, but also to counter the nuclear and ideological threat of Communism. Rand made extensive contributions to operations research, systems analysis, game theory, linear and dynamic programming etc. Its research associates included the likes of Martin Shubik and Oskar Morgenstern who have made extensive contributions to game theory (Goodwin, 1998, p. 64, Bernstein, 2001, pp. 97-100, Anadae, 2003, ch. 1).

⁴² For more such incidents see Goodwin (1998, pp. 54-62).

What is of direct interest for our purposes is the fact that Arrow's *Social Choice and Individual Values*, one of the cornerstones of the ongoing formalist revolution and of rational choice theory which "arguably had an ideological use, since it provided an intellectual framework for opposing communism", arose out of his involvement with the RAND Corporation (Backhouse, 2010, p. 145). Specifically, "Arrow was charged at RAND with determining a mathematical expression of Soviet Union's collective utility function that could be useful for game-theoretic strategy computations of nuclear brinkmanship" (Amadae, 2003, p. 85). In this direction, his main question was whether "it is possible to derive collectively rational group decisions from individual preferences?", to which his answer was that "collectively rational group decisions are logically impossible" (p. 83). This is Arrow's famous "impossibility theorem", which became the cornerstone of the defense of capitalism democracy against Marxism and communism. Granted all this, it is obvious that Arrow, in more ways than one is the child of Cold War, "a high level participant of the Cold War establishment" (p. 85). But Arrow's success was even greater than that. Because he showed the supremacy of western democracy over its rivals using the "objective" tool of mathematics and rational choice theory hence becoming "one of the key creator of the intellectual tradition that would give shape to orthodox American economics during the Cold War period" (p. 85). According to this writer, writing from Arrow's perspective of liberalism in his otherwise excellent book, "The brilliance of *Social Choice and Individual Values* in part results from the manner in which it molds each of these issues into a coherent theoretical foundation grounding 'capitalist democracy' without raising suspicions of ideological bias, an authoritarian or socialist impulse, or assumptions of the cultural relations of economic laws" (p. 102)! In other words, Arrow then was an high level official of the RAND corporation an organization of the US military establishment, he was charged with the task of opposing communism using the tools of rational choice theory, his theory became the philosophical cornerstone for the of western democracy and yet his theory does not raise suspicion of ideological bias! The reason behind this amazing conclusion lies of course in the objectivity of the mathematical tool even if used for explicitly and directly ideological purposes! This quotation reveals exactly the opposite of what the author intends: the most explicit use of mathematics and rational choice theory as an ideological veil of the ideological role of mainstream economic theory. Amadae actually says so much when he writes that "in its guise as 'objective' or 'value free' social science it is

difficult to appreciate the full impact of social choice, public choice and positive political economy for reconceptualising the basic building blocks of political liberalism". For Backhouse (2010, p. 137-8). "In such an environment, as Samuelson has admitted, it could be invaluable to present one's work as scientific, and the more technical, the better" As Bernstein puts it, "Anti-communism was a fundamental part of the process that defined what was (or was not) scientific" (Bernstein, 2001, p. 247). The more ideological the use of economics became, the more the need to present it as "scientific" and "objective". No other tool could serve this function better than mathematics, not least because of its prestige as a scientific instrument derived from the physical sciences.

8. Epilogue

In a review of Samuelson's *Foundation*, Kenneth Boulding (1948, p. 187) asks the following question:

Is economics an essentially mathematical science? ... The conflict between the mathematical and so-called 'literary' economists rages in our schools and can only be resolved, apparently, either by victory for one side or the other or by some agreed division of labor.

We know by now which side won a decisive victory in this battle. What is of interest in this context is Boulding's own answer, remembering that he writes in 1948. Although he points out that the battle is not (yet) over, he continues: "At this date mathematical economics is too ubiquitous to allow any question as to whether economics is a mathematical science" (p. 187). The formalist revolution, although still not fully complete, was already well under way. The programmatic aims of Jevons and Walras of some eighty years ago (the treatment of economics as a quantitative physico-mathematical science) have finally been brought to fruition and the reasons given by Boulding for this outcome are exactly the same as those given by Jevons eighty years ago: "Mathematics is a technique for the exposition and discovery of relationships among quantities. Economics clearly deals with quantitative concepts – prices, wages, outputs, incomes. In so far as it deals with quantity, it must be a mathematical science" (p. 187).

And yet for the previous eighty years, not to mention the century before that, economics was essentially a *non*-mathematical science. Why this was the case is a question never posed by mainstream economists, the default answer being that economics had not yet developed into a “proper” science something that was bound to happen at some point or other. Our account, however, proves otherwise. The formalist revolution was not the inevitable outcome of the scientific maturation of our field of inquiry, but the result of a whole host of general and conjectural factors including social and institutional changes and ideology. After all, for the most part the history of our subject was not written in equations or even diagrams but verbally. Be that as it may, the persistence and extreme dominance of this phenomenon, peculiar to economics among the social sciences, does need further explanation a task that is beyond the scope of the present paper.

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Still the queens of social sciences?

(Post-)Crisis power balances of “public economists” in Germany

Stephan Puehringer*

Abstract

As an immediate reaction to the recent financial crisis, it has been criticized that many economists are still acting as economic advisers for Ministries or the bureaucracy, although they have not been able to foresee the crisis. Academic economists still hold central positions in policy making; they influence decisions in economic expert panels or research departments in national and supranational organizations. Beside their role as policy advisors, economists also engage in public debates in a more narrow sense as technical economic experts as well as in a broader sense as “public intellectuals” in the process of the transmission of economic knowledge in public (economic) policy discourses.

In spite of the manifold critique about the state of economics in the aftermath of the crisis, an even increasing presence of economists and economic experts can be observed in the public sphere during the last years. On the one hand this reflects the still dominant position of economics in the social sciences as well as the sometimes ignorant attitude of economists towards findings of other social sciences. On the other hand this paper shows that the public debate on politico-economic issues among economists is dominated by a specific subgroup of economists, tightly connected to an institutional network of “German neoliberalism”. This group of “public economists” (i) is dominant in public debates even after the financial crisis, (ii) reproduces the formative German *economic imaginary* of the *Social Market Economy* in a German neoliberal interpretation and (iii) has a good access to German economic policymaking, rooted in a long history of economic policy advice.

Keywords: Public Economists, Economic Imaginaries, German Neoliberalism, political and societal impact of economic ideas

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Introduction: The current state of the Queen of Social Sciences in the crisis

„Economics itself (that is the subject as it is thought in universities and evening classes and pronounced upon in leading articles) has always been partly a vehicle for the ruling ideology of each period as well as partly a method of scientific investigation.“

(Robinson 1962:7)

About seven years after the outbreak of the financial crisis, followed by a series of economic crises there are hardly any signs for a crisis of economics. At an early stage of the crisis critics maintained that economists' efforts to influence economic policy and business practices, in particular when arguing in favor of deregulating financial markets (Beker 2010, Elster 2009, Kotz 2009) have effectively contributed to the crisis. Nevertheless after a short period of public, political and self-criticism of the economics discipline and distinct economists, respectively, the dominant crisis narratives brought forward in economic, public and political discourses largely ignore the role of the ruling economic thought as potential cause of the crisis. On an individual level the increased prominence of economists like e.g. Paul Krugman – especially after winning the Nobel Prize in Economics in 2008 – on an institutional level the Institute for New Economic Thinking (INET), founded in 2009, and supporting alternative economic approaches partly challenge(d) mainstream economic thought¹. Moreover several student initiatives urged for more pluralism in economics. Nevertheless a series of counteractive structural, institutional and discursive effects in economics as well as uneven politico-economic power balances in economic crisis policies countervailed and outperformed those effects. The Nobel Prize in Economics in 2013, awarded to Eugene Fama, heavily criticized for his Efficient Market Hypothesis as one of the main causes of the financial crisis by many heterodox economists, is a good indicator for a “strange non-crisis of economics” (Pühringer 2015a)², that is, the declining possibilities for a fundamental re-orientation of economics.

¹ Although heterodox economists term Krugman as “mainstream dissenter” (King 2012), “orthodox dissenter” (Lavoie 2012) or “heretic” (Lee 2009), they conclude that “moderate” mainstream economists like Krugman or Stiglitz could pave the way to more plurality in economics. Nevertheless, referring to the dominant view of economists regarding to free markets, Krugman concluded after the crisis: “Until the Great Depression, most economists clung to a vision of capitalism as a perfect or nearly perfect system. That vision wasn't sustainable in the face of mass unemployment, but as memories of the Depression faded, economists fell back in love with the old, idealized vision of an economy in which rational individuals interact in perfect markets, this time gussied up with fancy equations. The renewed romance with the idealized market was, to be sure, partly a response to shifting political winds, partly a response to financial incentives.”

² The term “non-crisis of economics” is referring to Colin Crouch's book *The strange non-crisis of neoliberalism* in 2011, where he is trying to shed light on the persistence of neoliberal political thought after the crisis. Crouch concludes that “the combination of economic and political forces behind this agenda is too powerful for it to be fundamentally dislodged from its predominance” (Crouch 2011:179)

The fight for discourse hegemony about crisis narratives takes place on many different levels and consists of economic expert debates as well as the political debates in mass media about economic causes and consequences of the crisis. In this context Bob Jessop (2013) stresses the importance of the dominant *economic imaginaries* in times of crisis. *Economic imaginaries* emerge in the interaction of economic thought, politico-economic power balances of actors and institutions and discourses in the political and public debate. In formulation of a Cultural Political Economy approach Sum and Jessop (2013: 346) conclude that “relatively successful economic imaginaries presuppose a substratum of substantive economic relations and instrumentalities as their elements. Conversely, where an imaginary has been successfully operationalized and institutionalized, it transforms and naturalizes these elements and instrumentalities into the moments of a specific economy with specific emergent properties.”

The financial crisis and the subsequent crisis policies offer a good example to study the formation of new and persistence of old *economic imaginaries* as well as their impact on the process of policy-making at a time when the dominant economic paradigm is potentially contested. The debate, whether or not and to what extent economic ideas and economic thought have an impact on the course of political and societal processes yet lasts for a long time. In 1936 John Maynard Keynes (1936:383) famously pointed out: “(T)he ideas of economists and political philosophers (...) are more powerful than is commonly understood. Indeed the world is ruled by little else.” Friedrich August von Hayek (1991:37), one of Keynes’ early opponents agreed, but restricted that “economists have this great influence only in the long run and indirectly”. The history of economics in this context can also be interpreted as the history of competing *economic imaginaries*. The simplistic *economic imaginary* of self-regulation of markets for instance, which still appears as mainstream economics core textbook heuristic in economic textbooks of the 21st century (e.g. Hill and Myatt 2007, Madsen 2013), had consequences for economics as a scientific discipline but also societal and political consequences (Mirowski 2013). In the German context, however, especially the economic imaginary of “Soziale Marktwirtschaft” (Social Market Economy, SME) in a special, German neoliberal and market fundamentalist interpretation had a formative impact on the course of economic advice and economic policymaking (Ötsch and Pühringer 2015, Dullien and Guerot 2012).

The remainder of the paper is structured as follows. Section 1 provides an analysis of the power structures in economics, particularly focusing on its distorted relation to other social sciences. Section 2 offers an overview of several theoretical approaches to an active involvement of economists in the field of politics and the public. In section 3 the specific role public economists is analyzed in much detail, thereby providing (i) a historical sketch of the role of German neoliberal economists in politics and the public, (ii) a short case study of Herbert Giersch as the model of a well-connected public economist and (iii) two network analyses of the institutional connections of

German economist in debates in and after the financial crisis. Section 4 offers some concluding remarks.

1 Power structures in economics and the social sciences

As a consequence of the fact that economics is the only social science dominated by one dominant paradigm - neoclassical economic thought - the strong support for efficient market forces over the years coined the hegemonic discourse about the economy and formed the strong *economic imaginary* of a “functioning market”. Against the political background of the Cold War and then especially after the breakdown of Keynesian economics in the 1970s the reference to free markets and the free market mechanism moreover served as theoretical background to promote neoliberal policies of deregulation, privatization and austerity. The strong dominance of a neoclassical paradigmatic core in economics manifests on several levels. First, it can be shown that the overwhelming majority of publications in top economic journals are based on neoclassical axioms and that there is strong tendency to crowd out publications using heterodox (non-neoclassical) methodologies (Lawson 2006, Dobusch and Kapeller 2012). On an inner-economic level this tendency has already had major effects on the institutional and epistemological structure of the economic discipline during the last decades, namely a steady marginalization of heterodox economics (Lee et al. 2013, FAPE 2014, Heise and Thieme 2015). Moreover the even increasing dominance of a neoclassical economic paradigm characterized by its narrow focus on mathematical methods is also reflected in the relative weak responsiveness to theoretical findings in other social sciences (fig. 1).

Citations from the Flagship Journal to Articles Published in the 25 Top Journals in Each Discipline, 2000–2009
(as a percentage of total citations in each journal)

Citing journal	Cited journals (% of all references)			Total number of papers/citations from this journal
	Top 25 economics journals	Top 25 political science journals	Top 25 sociology journals	
<i>American Economic Review</i>	40.3%	0.8%	0.3%	907/ 29,958
<i>American Political Science Review</i>	4.1%	17.5%	1.0%	353/ 19,936
<i>American Sociological Review</i>	2.3%	2.0%	22%	399/ 23,993

As Fourcade et al. (2015:94) showed economics, when compared to political science or sociology, can be described as (i) more elite-oriented, (ii) more hierarchically structured, (iii) situated in an insular position within the social sciences and (iv) more ignorant to other social sciences. Fourcade et al.’s

(2015) bibliometric evidence for a “superiority of economists” indicates that the self-image of economics “queen of social sciences”, coined by Paul Samuelson is maybe still present among present economists. Freeman (1999: 141) for instance stressed that “sociologists and political scientists have less powerful analytical tools and know less than we do, or so we believe”. This implicit pecking order among the social sciences also reflects in the perception of economists that their discipline is “more rigorous” or even “more scientific” than others. Whereas the perception of being the queen of social sciences applies particularly for prominent academics due to their positions in policy advice, Colander (2005) found that even among economics graduate students 77% of the respondents agreed that “economics is the most scientific of the social sciences.” Although there has been much critique claiming an “economic imperialism” in other social sciences or an “economization of the society”, economics continues to hold its dominant positions on various levels.

However, the fact that economists tend to relatively ignore research from other social sciences does not mean that economists also focus on original economic content in their research. On the contrary during the last decades several critics pointed out the several developing economics sub-disciplines rest on the application of econometric methodology on non-economic questions. As early as in the 1970s especially the American economists Gary Becker and partly also George Stigler and James Buchanan were successful in their effort to expand the field of economics research and introduce the theory and methodology of rational choice into other social sciences respectively. In the following years Becker (e.g. 1976) laid the foundations for the application of economic methodology on a vast variety of issues as crime, family, discrimination, marriage, death penalty and human capital (see also Radnitzky and Bernholz 1987). Lawson (2004) called this ambition in rather derogatory terms “the quest for a theory of everything”³. Referring to the huge potentials of utility theory in a rational choice framework, Stigler and Becker (1977:76-7) denoted “What we assert is not that we are clever enough to make illuminating applications of utility-maximizing theory to all important phenomena (...) Rather, we assert that this traditional approach of the economist offers guidance in tackling these problems – and that no other approach of remotely comparable generality and power is available.”

2 Economists as “political activists” and “public intellectuals”

In order to stress the aggressive character of these developments, several critics inside and outside economics coined the term “economic imperialism” (Fine 2002, Mäki 2008). The process associated with the term economic imperialism inside the social sciences, however, was accompanied by a larger societal trend of “economization” in various policy fields and, as I show in this article the

³ Yglesias (2014) in an obituary on Gary Becker in 2014 remarked “Becker’s idea, in essence, was that the basic toolkit of economic modeling could be applied to a wide range of issues beyond the narrow realm of explicitly “economic” behavior.”

successful transmission of neoliberal economic thought or *economic imaginaries* in public discourses and processes of policymaking.

Gary Becker is a telling example in this context, because aside his crucial role in the effort “to translate everything in the language of economics” (Yglesias 2014) he was also present in public discourses on economic issues. On the one hand beginning in 1985 through 2004 wrote a monthly column in the Business week Becker together with his wife Guity and on the other hand he published a well-known blog (The Becker-Posner blog) together with his Chicago colleague Richard Posner from 2004 until his death in 2014. Thus, Becker can be perceived as one of the most influential *public economists* in the US in the last decades of the 20th and the first decade of the 21st century (Fleury and Marciano 2013). Becker himself describes his objective in leaving the “ivory tower” in order to become a columnist retrospectively in his book “Economics of Life” (Becker and Becker 1997), that although they didn’t think that they had an immediate political impact with their column, referring to Keynes famous quote (also cited above) they sought to gain influence in promoting market liberalism against government interventions and hence changing political beliefs in the long run.

The question, to what extent economists and economic ideas in general do have an impact on society and politics is a long disputed issue among economists. On the one hand many prominent economists (Keynes, Hayek) agree that economists have immediate impact or at least impact in the long run on politicians and thus on the course of economic policies. Larry Summers (2000:1), due to his role as US Secretary of Treasury and member of the Council of Economic Advisers seemingly a rather influential economic advisor for instance stresses “(w)hat economists think, say, and do has profound implications for the lives of literally billions of their fellow citizens”. On the other hand several prominent economists (Samuelson, Shiller) argued that economics especially around the 1990s has become less important in political debates. As early as in the 1960s Paul Samuelson (1962:18) referring to necessity of opposing the “spirit of the times” in favor of economic rationality in his Christmas address as president of the American Economic Association stressed, that “not for us is the limelight and the applause (...) in the long run, the economic scholar works for the only coin worth having – our own applause”.

Beaulier et al. (2008) similarly complained about the consequences of the ignorance of politicians and the public about economic expertise: “Widespread ignorance of economics in the general public, a biased media unwilling to articulate basic economic principles, and the growth of government itself have all been cited as reasons for the public’s support for big government” (Beaulier et al. 2008: 70). In the German context around the 2000s several economists active in policy advice reported a decline of influence of academic economists, partly due to ignorant politicians and public authorities,

partly also due to a problematic development of the economic discipline, that is, a sole focus on methodological rigor to the disadvantage of political relevance (Frey 2000).

One possible solution to the perceived omnipotence of economic advisors was brought forward by the president of the DIW Berlin president Klaus Zimmermann. In an article entitled “Advising policymakers through the media” Zimmermann (2004: 9) points out: “Given that European and German policymakers are hesitant to proactively seek advice, the media channel is of central importance. In my view it is the silver bullet of policy advice.” He further argues that he requests the DIW department heads to participate actively in public debates and engage in media. In a similar vein Charles Wyplosz⁴ also stressed the potentials of the “media channels” to successfully direct economic policies in a certain way or – as I would argue in this article – to coin and implement certain *economic imaginaries* in politico-economic debates. According to Wyplosz (1999: 67): “It has many advantages: it reduces the risk of compromising; it is less time-consuming; it limits accountability; it offers more visibility. It may also be efficient, given the weight of media in modern open societies.” Thus, media engagement for Zimmermann and Wyplosz seems more compromising than trying to exert influence via official institutions for policy advice. Thus, they prefer the indirect way of political intervention to the direct way. However, what does it mean to say an economist is a *public economist* or even a *public intellectual*? And what implication does this have for the transmission of economic thought in public political and economic discourses and the process of policymaking.

In the developing research field of economists as *public intellectuals* scholars with different disciplinary background try to analyze and conceptualize the transmission of “economic ideas” from distinct economists in processes of public debate and policymaking. The term “public intellectual” is thereby described as the “capacity to make a public intervention” (Eyal and Buchholz 2010). The endeavor of analyzing economists as *public intellectuals* is twofold. On the one hand case studies are applied in order to highlight specific personal, institutional, political and historical context of highly influential economists, which can be termed *public intellectuals*. Historical examples of economists as *public intellectuals* or political activists include John Maynard Keynes in the UK (Backhouse and Batman 2009), Lippman as well as Friedman and Galbraith in the US (Goodwin 2013, 2014, resp. Formaini 2002, Burgin 2013)⁵. On the other hand, rather following a history of science or history of economic thought approach, special attention is paid to the concrete circumstances, in which specific

⁴ Wyplosz (1999) in his article “Cultures of economic policy advice” reported the result of a survey in which he asked economists in different countries about the role and impact of academic economists in public debates and policymaking. He further built on personal relationship with successful economic advisors as Summers or Sachs.

⁵ In this context McTeer (quoted in: Formaini 2002, 1) stresses “Friedman (...) has taken his ideas and policy proposals directly to his fellow citizens through books, magazine columns and, especially, television. It is not an exaggeration to say he has been the most influential American economist of the past century. He has changed policy not only here at home but also in many other nations”.

economic knowledge develops. In this context different scholars (Frank 2001, Hubbard 2004, Mata and Medema 2013) investigate the role of “public intellectuals” in the process of the transmission of economic knowledge in public (economic) policy discourses. Furthermore the question of a specific ideological purpose of different economic ideas arises. As early as in 1962 Joan Robinson (1962:7) stressed that economics “has always been partly a vehicle for the ruling ideology of each period as well as partly a method of scientific investigation.” Thus, economists in their role as *public intellectuals* are acting political either in supporting or in opposing the “ruling ideology”. Following this line of argument, distinct economists (or economic journalists) due to their prominent role as *public intellectuals* in public discourses on politico-economic issues are/were able to build up and use their publicity to effectively induce or prevent “changes” in public opinion or public *economic imaginaries*. In order to investigate the impact of economic ideas I employ a broad conceptualization of economics and economists, as also used by Mata and Medema (2013:4): “The full reach of economics is realized by the circulation of its discourse and practices and by their influence on an expanded set of actors that include media and the knowledge brokers”.

As indicated above the efficacy of economists when successfully shaping *economic imaginaries* exceeds their immediate impact on policymaking and manifests particularly in times of crisis, when “ruling ideologies” are potentially contested. Milton Friedman, who was termed “the most influential American economist” of the 20th century was well aware of the potential impact of *economic imaginaries* in times of uncertainty and dedicated much of his work to the fight against collectivist Keynesianism, which he considered to be the “ruling ideology” of the post WWII era. In the preface to the new edition of his famous book “capitalism and freedom” Friedman (1982:5) famously put it: “When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable.”

3 Economists as “public intellectuals” and “political activists” in Germany

3.1 Historical and institutional characteristics of economics in Germany

In the European and particularly German context, which is of interest in this article, there is a long tradition of institutionalized economic policy advice dating back to the immediate post-war period. In the German Federal Republic in the first years after WWII, economists played crucial roles in policymaking at several levels. First, professors of economics held important political positions, for instance, Ludwig Erhard as chancellor and Alfred Müller-Armack and also Karl Schiller as influential

ministers⁶. Second, economic advisors mainly from the ordo-liberal or German neoliberal school of economic thought were directly involved in the foundation of the German Federal Republic (e.g. the currency reform of 1949). Dullien and Guerot (2012), for instance, reported a “long shadow of ordo-liberalism” in Germany, and Pühringer (2015a) showed the strong dominance of German neoliberal networks among economists with significant influence on media and policy advice in post WWII Germany. Third, ordo-liberally oriented economists in close collaboration with employers’ associations served as promoters of the formative vision of “Soziale Marktwirtschaft” (Social Market economy, *SME*) in the years of the “German economic miracle” (Ptak 2004). Nützenadel (2005) even labelled the 1950s and 1960s in Germany as the “hour of economists”, Giersch et al. (1994: 140) referred to the close collaboration of Karl Schiller with the German Council of Economic Experts (GCEE) in the late 1960s as “the honeymoon of policy counselling”.

The *economic imaginary* of *SME* however, is crucial for the understanding of German economic policies after WWII but also after the financial crisis as I will show. The term was coined in the late 1940s by Alfred Müller-Armack, then one of the most important advisors of Ludwig Erhard (economics minister and later chancellor of Germany). In 1951 a group of ordoliberal economists and journalists founded the association “Die Waage” (the scale) in order to promote a positive vision of the free entrepreneur as the driving force of economic growth, provide support for the conservative government and oppose interventionist (Keynesian) economic policy (Spicka 2007, Schindelbeck and Illgen 1999). “Die Waage” was financially supported by proponents of the German economic elite (e.g. the directors of the big chemical corporations BASF, Bayer and Höchst) and launched a series of advertising campaigns in public print media and short advertising films in television and cinema. The public campaign was highly professional organized by an advertising agency founded by Hanns Brose, who cooperated with Müller-Armack and Erhard yet under the Nazi regime in Germany, and until the Bundestag elections in 1953 had 3.8 million DM at its disposal (Ötsch and Pühringer 2015). The main strategy of “Die Waage” was to establish a vision or as I call it an *economic imaginary* of the “Soziale Marktwirtschaft”, on the one hand combining the German economic miracle with Ludwig Erhard and on the other hand laying the foundations for the dominance of German neoliberal⁷ thought as guiding principle of German policy making for the following decades.

With the foundation of the “Aktionsgemeinschaft Soziale Marktwirtschaft” (Action Committee on Social Market Economy), the “Walter Eucken Institute”, named after the founding thinker of the Freiburg School of Economics, the Ludwig-Erhard Stiftung, to name just a few, yet in the 1950s and 1960s a dense network of German neoliberalism was built, which served as a forum of discussion and

⁶ For a detailed list of economic professors in political positions in Germany see Frey (2000).

⁷ When using the term “German neoliberalism” instead or as synonym for ordoliberalism I am referring to the common history, ideological roots and politico-economic market-fundamental core of neoliberalism and its German variety (Mirowski 2013, Pühringer 2016a).

political intervention for economists. The immediate success of this German neoliberal powerstructure manifested in the monetarist turn of the German Bundesbank yet in the late 1960s and especially in the neoliberal turn in German economic policy in the early 1980s.

To sum up, the close connection between German neoliberal economists and German public authorities is based on a number of institutional linkages but also on a widely established *economic imaginary* of the *SME*. Beside the already mentioned GCEE, whose members in public debates up to know are tellingly also termed “Wirtschaftsweise” (economic wise men), there is a long tradition of Scientific Advisory Boards to the German Ministry of Finance and Economics with varying influence. Another example for the institutionalized political influence of economists are the mainly publicly financed economic research institutes, which are responsible for official economic forecasts, but often also involve directly in politico-economic debates. Moreover crucial positions in the German Bundesbank during the last years have always been held by academic economists. This variety of economic advice positions offered economists the possibility to exert influence on the course of economic policymaking up to now.

Particularly the debate on labor market reforms in the late 1990s and the early 2000s offers a good example for the engagement of (groups of) economists in public discourse. The publication of the “Petersberger Erklärung” (Zimmermann et al. 1998) urging for a “future-oriented” labor market policy in Germany in this context can be understood as an attempt to enforce a neoliberal transformation of the German labor market (Pühringer and Griesser 2016). In the year 2000 the think tank “Initiative for New Social Market Economy” (INSM) was founded by German employers’ associations in order to constantly promote the “old” German neoliberal *economic imaginary* of the *SME* and continuously stress the superiority of the market mechanism over the process of policymaking. The INSM, following the American example as one of the first German advocacy think tanks in cooperation with an advertising agency (Speth 2004), furthermore gave economists aiming at a broader public audience for neoliberal policy advice a professional forum. One of the first very successful campaigns of economists supported by the INSM was the publication of the neoliberal “Hamburger Appell” (Funke et al. 2005), signed by 250 economists with the slogan “250 professors, 10 thesis, one opinion”, where the urged for radical reforms of German labor markets, the pensions system or the health care system.

3.2 The case of Herbert Giersch as public economist

Although this professional think tank strategy building on economists as seemingly independent experts is a rather new phenomenon at least in the German context, there exist several examples of economists aiming to exert political and societal impact on different levels. One telling example to

study the characteristics and motivation of a *public economist* supporting the *economic imaginary* of *SME* in Germany was Herbert Giersch, often referred to as the “doyen of German economics”. Herbert Giersch had a formative influence on German economic policies for a long period and saw himself as a “public economist” (Plickert 2010) and also reflected on the consequences of “being a public economist” (Giersch 2006/1991). Giersch was involved in the foundation of the German Council of Economic Experts (GCEE) and although never being chairman of the council, Giersch in the first years of the GCEE directed the development of the council. For instance Giersch was one of the architects of the rather Keynesian-oriented⁸ “concerted action”, aiming at a coordinated economic policy of the government, the employers association and the trade unions. Giersch’s key role in the GCEE furthermore became obvious in the 1964/65 annual report of the GCEE, where its members urged a flexibilization of exchange rates, a few years later resulting in the monetarist turn of the German Bundesbank (Feld et al. 2015, Pühringer 2016a). In 1969 Giersch succeeded Erich Schneider as head of the prominent economic research institute Kiel Institute for the World Economy (IfW Kiel) and in the following years induced a change from a rather Keynesian orientation of the IfW Kiel under Erich Schneider to a market liberal or even market radical orientation (Ptak 2009).

Although Giersch was continuously active in economic policy advising, first as member of the GCEE and later as head of the Kiel Institute for the World Economy or Scientific Advisory Boards of German Ministries Giersch also engaged in public debates and in this context acted as a *public economist* over several decades. On the one hand Giersch reported on actual economic policy measures in public and on the other hand he regularly authored a column in the weekly magazine “Wirtschaftswoche” in the 1980s and 1990s and published many comments particularly in the “FAZ”, one of the central opinion-leading newspapers in Germany.

Giersch public and political engagement can be interpreted at least on two levels. First, Giersch claimed a central societal role for economists and economic thought in general in order to prevent harmful economic policies. In this context Giersch (2006:55pp.) stressed that society needs economists in an intermediary position for the process of “market-economic enlightenment”. Thus, economists should serve as (i) journalists in public media, (ii) speechwriters and policy advisors (behind the scenes, namely in chambers and associations, banks, multinational corporations, national authorities and international organizations) and (iii) authors of readable research reports. In a speech on the occasion of being awarded a prize for international economics Giersch (1991/2006) even denoted that it is the main task of economists “to stimulate public discourse on economic issues”.

⁸ Giersch retrospectively denoted that he was confident of Keynesian misbeliefs in the possibility of demand management at an early age, whereas he soon came to the conclusion that such an active economic policy would do a great harm to the economic performance (Giersch 2006).

Second, Giersch's ambitions to engage in public discourses as well as policy advice and policymaking can be understood as a consequence of his clear articulated ideological position in favor of an unhampered free market economy. Giersch often declared himself as a "Marktwirt" (a pun on the German term "Volkswirt", indicating that economics should be perceived as the science of the market), thereby referring to Hayek's conception of evolutionary order and continuously warned against the "enemies of the open society", who threaten democracy, economization and globalization⁹ (Giersch 2006). The ideological position of Giersch particularly manifests in a long interview with the "Wirtschaftswoche" in 2003, where he argues that the "old-fashioned conceptions of equality of the German people can be realized in the age of the globalization. If one wants more economic growth, he has to accept a higher amount of inequality" (Giersch 2003). Giersch personal effort to spread the *economic imaginary* of a free market liberal society furthermore manifested in his active network strategies at the IfW Kiel and a number of market fundamentalist or neoliberal institutions and think tanks. Giersch, who himself received his doctorate under the supervision of Alfred Müller-Armack, one of the core actors of the political program of *SME* in Germany (see section XXX), over the years turned the IfW Kiel to one of the centers of market fundamentalist economic thought in Germany. Furthermore Giersch was very successful in "academic reproduction", i.e. supervising economists who later also became professors of economics (e.g. Gerhard Fels, Jürgen Donges, Olaf Sievert, Horst Siebert, Roland Vaubel). Pieper (2006) in the preface to volume on Giersch stressed the importance of Giersch in this respect: "Giersch had a formative influence on countless students during his time in Kiel; most of them became convinced market economists".

Moreover Giersch also served as one of the core nodes for the network of German neoliberalism among economists (Ötsch and Pühringer 2015) and particularly for the connection of German neoliberal think tanks and institutions to the international network of neoliberalism. Giersch's importance in the latter for instance manifests in the fact that he even was the president of the Mont Pelerin Society (MPS), the core neoliberal think tank, founded and initiated by Friedrich August von Hayek in 1947.

⁹ Giersch was convinced that people mainly act selfish and that the market mechanism is the only way to secure a peaceful coexistence, because, "In a market economy due to economization and rationalization one needs a lower amount of altruism" (Giersch 2006:342).

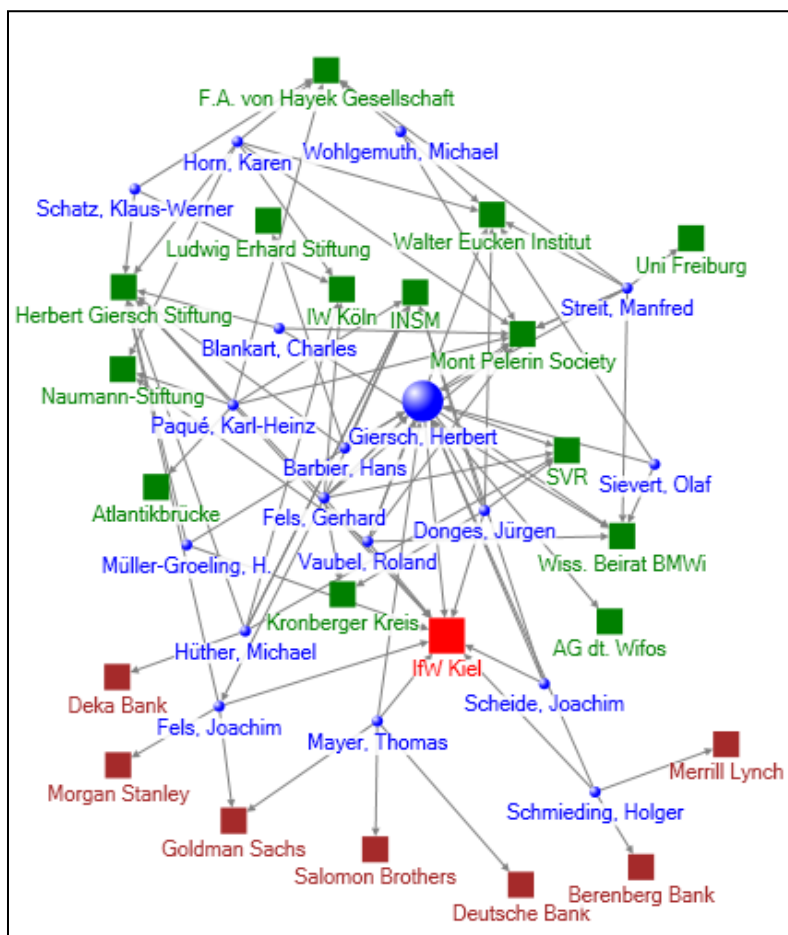


figure 1: Herbert Giersch as node of networks of German neoliberalism.

Fig. 1 shows Giersch and his connections to (i) think tanks and institutions with a politico-economic agenda, (ii) policy advice institutions and (iii) other economists, either personally connected to Giersch (his “students”) or connected via an institution. Whereas there are many direct links from Giersch to think tanks of (German) neoliberalism (e.g. the MPS, INSM, Kronberger Kreis, Hayek Society), in the bottom there is a group of students of Giersch, who later worked in prominent international financial market institutions.

Summing up Herbert Giersch can be interpreted as a telling example to highlight the process of the transmission of market fundamentalist economic thought into public debates and policymaking in post-WWII Germany. First, Giersch is rooted in and also connects networks of (German) neoliberalism. Second, these heterogeneous networks of economists, think tanks and policy advice institutions actively continuously and to a large extent successfully tried to exert influence on German economic policies and thus coined the *economic imaginary* of the SME.

In the next section, however, I show that this *economic imaginary* is/was still present in economists' debate about the financial crisis and prove whether there also exists a similar ideological bias of "public influential economists" in Germany in the last years.

3.3 "Public Economists" in the financial crisis in Germany

In the context of the financial crisis in 2008ff, certain critics focused on the problem that economists are still acting as economic advisers for Ministries or the bureaucracy, although they have not been able to foresee the crisis. Academic economists continue to hold central positions in policy making; they influence decisions in economic expert panels on national and supranational levels as well as in research departments of supranational economic organizations (e.g. the IMF, the OECD, the World Bank, the Bank for International Settlements (BIS) or the European Commission). Particularly the latter were accused that they had supported financial deregulation policies in the last decades and thus are responsible for the outbreak of the financial crisis. But the dominance of economists is not restricted to international organizations – where a dominance of economists is not surprising.

In spite of the critique on the state of economics in the aftermath of the crisis, an even increasing presence of economists and economic experts can also be observed in the public sphere during the last years. Wolfers analyzed the New York Times archive and found that economists are the most mentioned scientists from the 1970s onwards, with a short interruption in the early 2000s: "The long Clinton boom that pushed unemployment down to 3.8 percent was good news for nearly all Americans, except economists, who saw their prominence plummet. Fortunately, the last financial crisis fixed that" (Wolfers 2015). Similarly in a survey of media presence of German (social) scientist from summer 2013 to summer 2014 Haucap et al. 2015 found that economists continue to be by far the most cited scientist in public debates after the crisis. In fact, 8 out of the 10 scientist with the highest number of media appearances and overall about two thirds of the scientists quoted in opinion-forming German newspapers are economists. Haucap et al. (2015:15) conclude that no other science receives by far the same amount of attention of policymakers and the media.

Summing up, several studies found that economists are still the most important or at least the most present social scientists in public debates and therefore hold their dominant position among the social sciences. In this context Green and Hay (2015:333) pointed out the uneven distribution of power among the social sciences as one main cause of the dominance of economics: "Too many commitments of resources, careers, entrenched ideas and powerful interests are at play for the primacy of economics within the social sciences to simply melt away."

There is much empirical evidence (section 1) that economics as a discipline indeed continues to hold its strong position in the field of economic policy advice and policymaking. Nevertheless the financial and later also economic crisis beginning in 2007/08 could have induced a shift in public economic

Figure 2 provides an institutional social network analysis of economists in public discourses on the financial crisis. The size of the nodes reflects the number of hits for each economist and think tank/institution, respectively. The result of the social network analysis demonstrates the power balance of coalitions of economic thought. At the bottom one can find a group of economists around the Böckler-Foundation and the Keynes-Society, which partially act in a union-linked sphere. Above there is a densely connected group of economists in German neoliberal institutions and think tanks, with the INSM and the Stiftung Marktwirtschaft with the Kronberger Kreis as its scientific advisory board, at its center. Whereas institutions like the latter and especially think tanks like the Eucken Institute (named after the prominent ordoliberal economist Walter Eucken) or the AG Soziale Marktwirtschaft represent initial networks of German neoliberalism, institutions like the INSM or the Wahlalternative, which led to the new “national-neoliberal” party Alternative for Germany (AfD) represent new forms of neoliberal networks. However, figure 2 shows that there are several economists, who connect original ordoliberal discourse coalitions to younger German neoliberal networks (Feld, Issing, Willgerodt, Starbatty).

Altogether market fundamentalist, German neoliberal economists seem to be rather closely connected both in an institutional network and on the basis of shared *economic imaginaries*. The latter particularly manifests in the fact that about 85% of the economists, who (due to their age and their respective academic position in 2005) presumably have been invited to sign the neoliberal Hamburger Appell in fact signed it. Moreover at least 27% of the economists in German neoliberal networks are members of the MPS, which is a rather high percentage if one takes into account the high average age of members of the MPS (Pühringer 2016b).

Thus, even in the debate on the financial crisis, which initially was perceived as a crisis of neoliberalism (Crouch 2011) the *economic imaginary* of the *SME* in its old German neoliberal interpretation is still dominant among German *public economists*, which indicates an ideological bias of economists actively participating in media debates.

A second possibility to examine ideological power balances of German *public economists* is offered by the prominent ranking of the German newspaper FAZ. This ranking aims to figure out the most successful and most influential German economists thereby amongst others also applying an analysis of media quotes of economists in print media, television and radio (FAZ 2014, 2015). For the purpose of this paper I used the FAZ-ranking for the years 2013 and 2014 and conducted a weighted average of media quotes of German economists. The ranking is headed by Hans-Werner Sinn, the most prominent German *public economist* over the last years, followed by Marcel Fratzscher and Jörg Krämer. The detailed analysis of the first 50 economists in each of the two rankings (together 54 German economists in 2013 and 2014) yielded some instructive results. First, 19 out of 54

economists (and even 6 of the top ranked 11) worked for a bank or a financial service provider, for instance also the third ranked Jörg Krämer, who is an economist in the Commerzbank. This can be conceived as problematic to a certain extent, because although those economists are often neutrally denoted as “economists”, they can be supposed to serve a specific private economic interest¹¹.

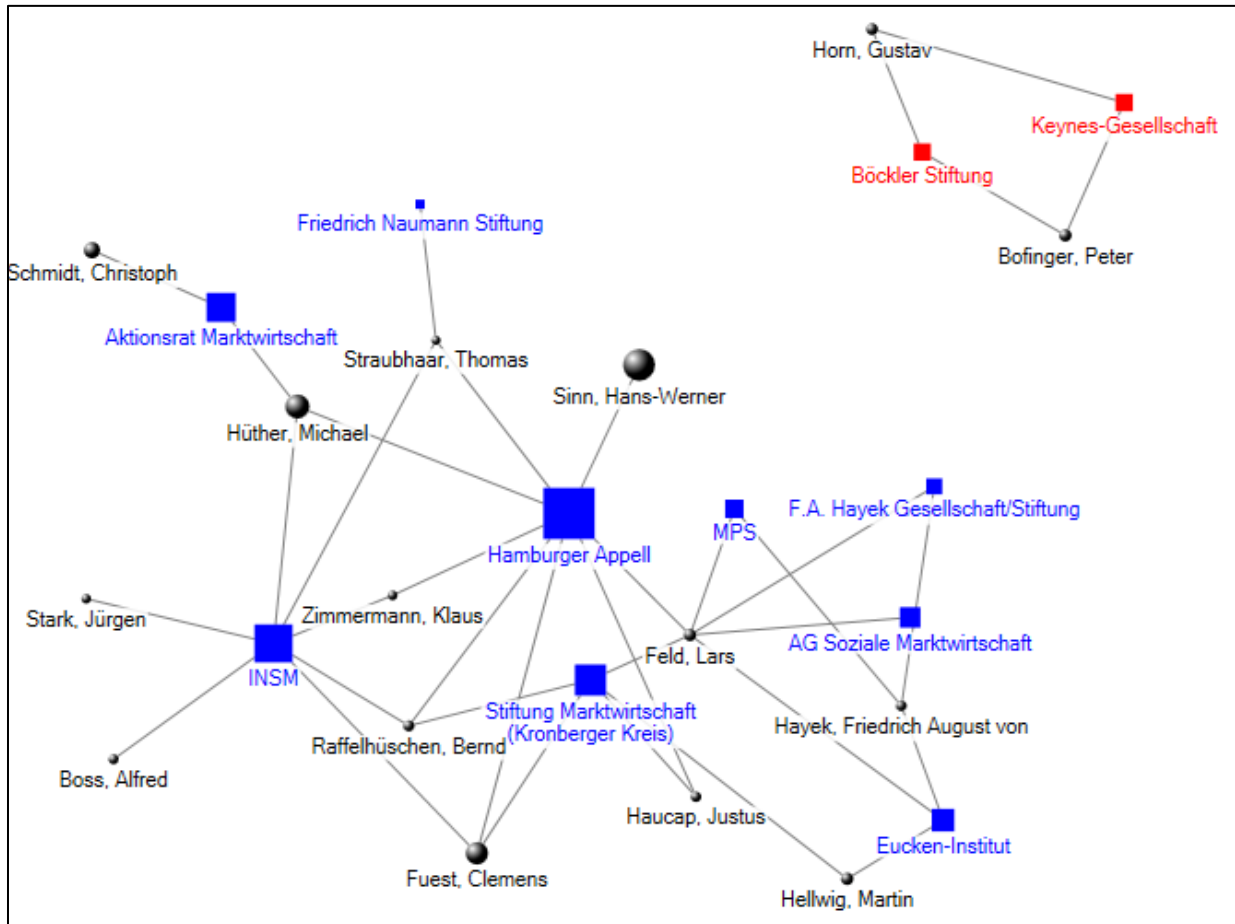


figure 3: Networks of German economists in media debates

Second, an institutional social network analysis of the 25 top ranked economists’ analogue to the analysis of the financial crisis discourse presented above again yielded a similar result of ideologically oriented network structures (figure 3). Whereas a minority of Keynesian-oriented, “union-linked” economists can be seen in the upper right, there is again a bigger and densely connected network of “German neoliberal” economists at the bottom. Inside the network of German neoliberalism particularly the Stiftung Marktwirtschaft with its Scientific Advisory Board Kronberger Kreis, the ISNM and the Hamburger Appell exhibit the highest degree of centrality and furthermore connect the

¹¹ Nevertheless the high presence of “bank economists” is telling for the perception of economists as *public intellectuals*. Godden (2013:40) for instance defends his rather broad definition of an “economist” similarly according to his societal ascription: “Some names do not immediately come to mind as being ‘economists’ at all, but to address the issue of economist as ‘public intellectuals’, it is necessary to appreciate how particular individuals (...) were identified by the society in which they lived.”

three most present academic *public economists* (Sinn, Fuest and Hüther). Whereas the former two institutions are German neoliberal think tanks, with often direct connections to German economic policymaking, the latter was a public plea for a neoliberal reform agenda, published in 2005 with support of the INSM. The suggested policy measures, for instance a flexibilization and market-orientation in the field of social security and the labor market, a higher wage-spread, a restrictive fiscal policy and a high degree of self-responsibility perfectly correspond to the *economic imaginary* of the *SME* in its German neoliberal interpretation. In total, 253 professors of economics signed the plea entitled, “250 professors, 10 theses, one opinion”.

4 Conclusion

To sum up, there is much empirical evidence that economics and economists even after the financial crisis hold their dominant position among the social sciences as well as their privileged position in the field of policy advice and policymaking in crisis policies. This paper shows that this dominance can be interpreted as the consequence of the interaction of effects on three levels. On an international level a specific power structure in economics induces self-enforcing processes, which lead (i) to the marginalization of alternative, heterodox economic approaches and (ii) ignorance towards methods and findings of other social sciences. On the level of German economics and German policymaking (iii) an uneven power balance of *public economists* can be shown.

The example of Herbert Giersch as one of the most prominent *public economists* and one central node of networks of German neoliberalism in post WWII Germany as well as the social network analysis of economists in public economic debates in and after the financial crisis, clearly indicate that the subgroup of German economists, actively participating in media debates on political and politico-economic issues tends to be ideologically biased. Although there is/was a minority of economists connected in heterodox economic and/or union-linked think tanks and institutions, the vast majority of economists even after the outbreak of the financial crisis is connected to a relatively dense network of German neoliberalism, with its “old”, German neoliberal interpretation of the *economic imaginary* of “Social Market Economy”.

To sum up, particularly in the German context in and after the financial crisis and the subsequent crisis policies one could observe the consequences of two mutually reinforcing trends. Whereas on the level of the economic discipline the strong position of a neoclassical core, which is partly also a consequence of neoliberal science policies, continuously marginalized alternative economic or even interdisciplinary approaches, the dominance of the *economic imaginary* of a German neoliberal *SME* paved the way to neoliberal austerity measures.

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Direct Democracy in the Era of Crisis:

The Politics of the Squares Movement

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Abstract:

The appeal of Greece to the support mechanism (IMF, EU, ECB) was followed by the “squares movement” (2011) which developed action against the austerity measures imposed by the, so called, first “memorandum”. A significant number of squares were occupied in Athens and other Greek cities by a very massive and promiscuous “multitude”, for almost two months. This movement seemed to reject the “politics of demand”, meaning the orientation towards the improvement of the present institutions under the hegemony of the state and the mainstream political forces. On the contrary, it put a particular emphasis on the, so-called, “prefigurative politics”, which refer to its attempt to create “Here-and-Now” the political, social and cultural relationships that are compatible with its collective imaginary. Concerning the procedures of taking and executing collective decisions, this movement chose to function as a workshop of direct democracy, since it suggested that the consensual modes of horizontal organization can act as a foretaste of the pursued generalized self-management of social relations. In this context, the issues of identity and inequality proved to be of

critical importance for the movement's qualitative characteristics: Despite the relevant rhetoric and decentralized structures, power relations were practically reproduced in the interior of these loose networks sketching their operational and theoretical limits. It is exactly these limits and perspectives of prefigurative politics this paper wants to explore, based on participant observation and discourse analysis of several self-published documents of the squares movement.

Key-words: prefiguration, cooptation, square movement, multitude

Paper:

1. Theoretical framework

We would like to begin with the critical concept of “prefiguration”: This term describes all those models of political organization and social relations which are projecting in the present, “Here-and-Now”, the future society that the agents of a political group or movement are aiming for. This projection consists of an effortless incorporation of all the desires, practices and interactions into the present, thus constituting “an image from the future”, a foretaste of it.

According to David Graeber (2008), this procedure is nothing but the construction of a new society into the shell of the old one, instead of a direct subversion of the latter. Richard Day (2005), in his work *Gramsci is Dead*, approaches the politics of prefiguration through anti-hierarchical / anti-constitutional organizational structures that he calls “affinity groups”. The main characteristics of these groups are anti-hegemony, direct democracy, absence of transaction with the authorities via the “politics of demand”, and the actualization –“Here-and-Now”– of structures

alternative to the present sociopolitical reality. Day identifies the essence of the affinity groups with the values and practices of the, so called, new and newest movements which, in turn, draw on May '68 and the premier of the anti-global movement in Seattle in 1999.

However, “prefiguration” seems problematic as a term since its very etymology refers to an indefinite future, instead of the present. Therefore, the values and practices of this, so called, “Here-and-Now” are not fulfilled but in a future situation which, in the end, undermines the spontaneity of the present action. Hence, such movement practices of the “new” inside the existing walls of the “old” cannot escape the continuous dead-ends and contradictions created by their effort to bloom within an absolutely “hostile” reality which is still in force.

Another concept we are going to discuss is that of “cooptation”. This term describes the interaction between social movements and the central political scene which leads to the cooperation of the two, even to the integration of the former by the latter. However, this term conceals a dynamic which is not visible at once. In his article “The Problem with ‘Cooptation’”, Pablo Lapegna (2014) also discusses an alternative to the usual perception of this term, as absorption of the movements by the dominant political scene. Instead of considering the movement to be ineffective, due to the decisive effect of the political parties, we can also acknowledge the big pressure these movements exert on the parties, resulting in changing, to some extent, their policies).

2. From the “December 2008 Revolt” to the “Squares’ Movement”

A prominent expression of collective action in the era of crisis was this of the “squares movement”. From May to August 2011, the Syntagma Square, as well as several smaller squares in Athens, was occupied by a crowd of people who remained

there for sixty-five days. Similar incidents took place in thirty-eight other cities throughout Greece. The term “Aganaktismenoi”, which seemed to prevail, mainly because of its persistent adoption from the Mass Media, comes from a rough translation of the Spanish term “indignados” – which literally means “outraged”, “angry”. The self-determination of this movement is summarized, according to Maria Papapavlou (2015), to the term “Squares Movement”, which, among other things, may include a broader spectrum of emotions and practices.

According to several researchers (Kioupkiolis 2014; Panierakis 2013; Roussos 2014), the “squares movement” was fueled by the political culture formed and socially diffused during the December 2008 revolt. Indeed, by looking into this movement, we can spot qualitative characteristics that, at first sight, refer to the spirit of “December”, like the opposition to both the political system and the intermediation of the official Media, as well as the extended use of non-hierarchical organizational models and new technological media (Metropolitan Sirens 2011).

Apart from the horizontal practices and the social networking, Papapavlou (2015) highlights, among other things, how the everyday life of the participants changed, the wide repertoire of action which included innovative means of expression, as well as the intensively improvising character of collective action. Moreover, focusing on the musical dimension of the squares mobilization, she showcased the improvising character of the artistic events as a direct reflection of the collective cultural improvisation which is necessary for the gathering of various and incoherent subjects that try to distant themselves from established identities, parties and cultural features.

Giannis Theocharis (2016), on the other hand, uses the term “indignados movement” and argues that social networks (Twitter and Facebook mainly) broadened the

perspectival horizon of collective action –based on their low cost and functional potential– since they contributed to the development of self-organized models of protest without the mediation of the traditional political groups, the international networking of the movement agents, the involvement of new subjects, especially a new type of protester without prior movement experience, the creation of an informal –nevertheless, armed and ready– coordination of internet contacts and the reinforcement of the civil society.

Therefore, apart from an aggressive stance towards the official institutions and the Mass Media, similarly to what happened in the “December ’08” revolt, the “squares movement” appeared to be more incoherent (in terms of politics, class and age), also because of its distinctive “time and space” dimensions. By taking place during the summer time and by hosting the assemblies and all relevant procedures in open space, namely in the city centers, the “squares movement” favoured a free, heterogeneous and massive participation (Douzinas 2011). Particularly in the case of Athens, the public argumentation in front of the parliament –which, righteously, implied a semiotic confrontation with the established parliamentary function– declared to be a non-violent democratic mobilization which refers directly to the ancient agora or the roman forum. Leontidou (2012) highlights, among other things, the interesting distinction between the terms “piazzas” and “squares”, with the Mediterranean “piazzas” emerging from “grass-roots” daily relations in public space, and the Anglo-Saxon “squares” resulting from “top-down” procedures, due to the central urban planning.

Hence, contrary to the violent December revolt, which with its erratic outbursts (destruction, looting) and its purposeful clashes is perceived as an overall attack on commercialization and the democratic polity, the “squares movement” is presented as

more mature (Giovanopoulos and Mitropoulos 2011), as “the continuation and overcome of December 2008” (Douzinas 2011: 159).

3. The emergence of the “multitude”

In order to describe and interpret this inclusive, heterogeneous and interclass mobilization of “the squares”, several scholars (Douzinas 2011; Kioupkiolis 2014) refer to the term “multitude”, originally used by thinkers like Michael Hardt and Antonio Negri (2004) and Paolo Virno (2004). Hardt and Negri analyze the procedure this “multitude” is produced and particularly the rearrangement of the productive relations towards immaterial labor which is diffused throughout the everyday life, blurring the boundaries between working and free time and demanding the continuous acquirement of new knowledge, as well as the investment of the precarious workers’ innovation, communicative skills and emotional intelligence in favour of the capital’s development. This “multitude” is a pluralistic “flock” which, under certain circumstances, gathers temporarily and in terms of collective action utilizes the ways of its subjectification, networking and the horizontality dictated by the new labor conditions.

The “multitude”, by definition, rejects the political and party identities, since it emerges exactly on the edge of the overcoming of such dividing lines. “We are the 99%”, says the “Occupy” movement in the USA, exactly based on an analysis which argues that such a vast majority participates in the immaterial labor, in favour of an oligarchic elite which is symbolized with the rest 1% (Kioupkiolis 2014). In the case of the Greek “squares movement”, the heterogeneous “multitude” is a multiplicity – inevitably provisional– which does not constitute a single body, since it preaches the

opposition to the established political identities and mediation, excluding all parliamentary and extra-parliamentary parties, their symbols and banners.

4. “Cooptation” into the political system

Nevertheless, the explicit renunciation of institutional representation does not entail the absence of interaction between the “Squares Movement” and the political parties. On the one hand, recalling Lapegna’s reverse use of “co-optation” (2014), there is an intense pressure on the PASOK government which, according to Douzinas (2011), almost led the prime minister Giorgos Papandreou to resign and Evangelos Venizelos, who kept a more “square-friendly” profile, to become Deputy Prime Minister and Minister for Finance.

On the other hand, during the pro-crisis era, SYRIZA tried to develop a bond with the social movements by articulating a political discourse based on the distinction “we and they”, with this “we” including the productive forces, the youth, the precarious, the unemployed, and this “they” referring to the sociopolitical elite, the bipartisanship of PASOK and New Democracy, banks, the rich and the oligarchy (Katsambekis 2015).

What, nevertheless, changes with the crisis is the perspective: SYRIZA shifts from the creation of a sociopolitical opposition to neoliberalism and bipartisanship, to the constitution of a broader coalition which could potentially lay claim to the ruling power. This shift took place through a transvaluation of the above dividing line: From “Left/Right” to “supporters/opponents of the memorandum”. The politically highly-charged call to the “youth”, the “movements” and the “citizens”, was replaced by the obscure call to “the people”, meaning the anti-memorandum “multitude”,

although the old dividing line “Left-Right” was far from disappearing (Katsambekis 2015: 155).

5. Spatial dimensions of the mobilization in Syntagma Square

Several researchers highlight the spatial division between “upper” and “lower” square, with the steps serving as an informal borderline between the two different types of mobilization. The “upper square” was full of Greek flags, banners referring to the “glorious” past of the nation, slogans against the Members of the Hellenic Parliament –accusing them of treason– creating an overall atmosphere favourable to a far-right political rhetoric. A “frame analysis” (Neveu 2010: 210-212) could highlight that in the “lower square” the diagnostic framing is not only referred to the corrupted political status quo or the loss of sovereignty but also to the systemic crisis of the globalized capitalism in general, whereas the prognostic framing was not just limited to punishing the guilty but sought organizational models that could bring social justice back to the public agenda. Whereas in the “upper square” the motivational framing was linked to a moral legitimization drawing on emotions of “indignation” and national pride, in the “lower square” what emphasized was the potential and perspectives of collective action in terms of solidarity and direct democracy, within the context of the general assembly and the thematic workshops (Roussos 2014; Simiti 2016).

Nevertheless, the steps between the “two squares” should not be regarded as an inaccessible border between two utterly different worlds. Many subjects were moving from the one square to the other, participating –quite often– in the activities of both, while in moments of repression bonds of solidarity were created and common action was developed (Roussos 2014).

6. Political dimensions of the mobilization in Syntagma Square

Participation in such collective projects seems to rupture the neoliberal norm of individualization, as well as to challenge the idea of a homogeneous community defined by the necessary exclusion of “the other”. This is how the “multitude” appears to be a par excellence potential of inclusion and heterogeneity (Kallianos 2012).

According to Douzinas (2011), what the mobilization in Syntagma Square signifies is the end of the post-civil war schism between the victorious Right and the defeated Left, a schism which maintained the power correlations for almost sixty years. According to Papapavlou (2015), this spirit of connection and co-existence of the unbridgeable ideological differences is also reflected to some lyrics, sung in Syntagma Square according to which anarchists, neo-Nazis and riot policemen seem to co-exist.

Nevertheless, these optimistic approaches of the heterogeneous, although smooth, co-existence in the “multitude” context, do not seem to correspond to the real events that, from the very beginning, designate emphatically the inevitable outburst of the “political”, meaning the various conflicts and antagonisms that come up reasonably in every day social life, as defined by Mouffe (2005) and Schmitt (2007).

Hence, despite the songs describing “anarchists and neo-Nazis” to co-exist harmoniously, during the first days of the Syntagma square mobilization the far-right groups that tried to place their own banners at the “upper square” were ousted by antifascist protesters, closing the door –this way– to an official far-right presence (Simiti 2016).

In addition, even the unofficial far-right presence within the “multitude” was considered hostile resulting in the violent repulse of such individuals or small groups, as in the case of the 15th of June protest (Roussos 2014).

In such events an inescapable objection to these approaches that emphasize the importance of the “multitude’s” heterogeneity rises: How is it possible for identities with so conflicting interests and objectives –like anarchists and fascists, immigrants and racists, workers and bosses, homosexuals and homophobes, women and sexists– to co-exist smoothly? Focusing on the clash between the 99% and the elitist 1%, the discussion on “multitude” reduces collective action to economy ignoring the conflicting class and political interests within this 99%. At the same time, variables like those of sex, race, sexual orientation and others are treated as if they were secondary, despite the wide tradition of the identity movements and the whole discussion about intersectionality.

Putting on the table the issue of the reproduction of various contradictions and conflicts on the basis of the social web, several thinkers discuss the problem of the potential synergy of heterogeneous agents towards a common goal. Douzinas (2011), for example, refers to the project of Chantal Mouffe and Ernesto Laclau (1985) concerning the necessity of the creation of a hegemonic front where the demands of different subjects who project radical democracy will be articulated. He acknowledges the fact that the alternative proposal of such a hegemonic bloc rejects political ontology and that social space is created by hegemonic politics: An antagonism which goes through social space, dividing it, brings together all different groups, classes and interests. Therefore, taking into consideration the multiform fractures and antagonisms, hegemonic politics choose a central contradiction, a deep rapture in the social space, trying to promote it in a way that a coalition will be created around it.

According to this view, the members of this coalition must agree upon the fact that this clash is far more important than their corporatist and local interests.

It is obvious that the above central antagonism, appearing as the necessary and sufficient condition for the creation of a powerful hegemonic front, refers to the new dividing line of “memorandum/anti-memorandum”. Moreover, urging the members of the coalition to accept that this confrontation is much more important than the rest of their interests seems to have been heard, given the successive election results that followed the end of the squares mobilization (2012, 2014, 2015).

7. From the square to the Parliament: Prefiguring the contradictoriness of the “multitude”

Despite the declarations of overcoming political and partisan identities and of excluding politicians and party officials, the practice of the “squares movement” illustrated the opposite. Whilst there was the exclusion of the Communist Marxist Leninist Party (KKE M-L) whose members wanted to enter the square maintaining their banners and distinctive political discourse, there was at the same time an invitation to some expert speakers –on the 7/6/2011 economy panel and the 17/6/2011 direct democracy panel– who, although did not participate as politicians or party representatives, they would very soon become members of the future cabinet and parliament.

On the one hand, this development is connected to SYRIZA’s tactical change over social movements and its potential allies for seizing power. On the other hand, there was an emphasis on the role of the experts who gained a symbolic surplus value by participating in the Squares’ processes which took place before the Parliament, a symbol of the system the movement wished to overcome through the prefiguration of

direct democracy. This inexplicit spatial heteronomy would, in retrospect, seem pivotal since the aforementioned panel speakers did, very soon, take on ministerial responsibilities, relevant to their specialization, marking out –this way– the contradictory politics of this massive mobilization.

The inability to exceed the logic of representative democracy led the movement to political representation which was not just the outcome of a repression from the top, a collateral deflection or the “weakness to influence the decision-making centers” (Kavoulakos and Gritzas, 2015: 344), but a natural consequence of a contradictory prefiguration being prepared in the “square movement” processes.

Taking into consideration the immanently temporary, heterogeneous and contradictory character of the “multitude” as well as its concomitant inability to constitute a uniform and cohesive collectivity, the eventual representation by anti-memorandum parliamentary parties –despite its opposite ideological orientation– seems to happen rather easily. Hence, the suggestions for “strategical intelligence” and “tactical flexibility depending on the circumstances” in order to accomplish a conjunction of representation and autonomy, agonism and “multitude”, hegemonic and non-hegemonic politics, seems to become tangible in the massive square demonstrations for supporting the government’s negotiations with the European partners, during the first semester of 2015, and then lead to a dead-end with the permanent weakness of the governing coalition to support in practice the result of the referendum held on the 5th of July of that year.

8. Conclusions

The formation of new political subjects, the increasingly unpredictable electoral behaviour as well as the disruption of the bipartisan system, as observed in the era of

crisis, should not just be interpreted as simple, reflective reactions to the rapid developments taking place in the economic sphere, but also as the products of long-term movement elaborations gradually contributing to social delegitimization of the traditional parliamentary model, and the emergence of a new political approach, schematically coded as “prefigurative politics”.

The case of the “square movement”, with an effort to realize structures of direct democracy, is quite typical since it was argued that consensual forms of horizontal organization can confront the dominant political system “prefiguring” different types of coexistence and management of the common affairs.

Nevertheless, this very massive mobilization, taking place at an early stage of the Greek economic crisis, proved to be so broad that quite often the multiple political, class and social divisions lying under its “multitude”, and thus the variety and contradictions of its potential perspectives, were neglected.

Therefore, both the two-month coexistence of the “two squares” –with their obviously different ideological backgrounds– and the weakness to exceed the traditional politics that promote the role of the experts, were consequently linked to the final “cooptation” of the movement dynamics in the electoral field and the subsequent emergence of the SYRIZA-ANEL coalition, given the strategic shift of SYRIZA from the invocation of the left radical struggles to that of a broader anti-memorandum front.

Such cases of collective action, like that of the “squares movement”, seem to be of great theoretical interest since, despite their expressed attempt to define their political traits in opposition to the dominant institutional framework, they interact with the latter drastically, provoking critical political and institutional transformations. In this context, something that could be further investigated is the importance of spatial

heteronomy in relation to political authority, as far as those objectives of collective agents that often remain unutterable and untold are concerned.

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“Political Means and Political Liberalism as “Basic Law”: A Developed Reminder Suited to the Crisis”

Paper presented to the international conference “Crisis and the Social Sciences: New Challenges and Perspectives”, University of Crete, Rethymno, 10-12 June 2016.

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Abstract

Social Science provides tools of theorizing about social phenomena and social scientists try to select the appropriate tools for each empirical case.

The recent Greek economic crisis seems to be a multi-faced phenomenon as suggested by scientists, journalists, columnists and other social commentators. In this paper we focus on two particular aspects of it: A. The political means normally used to handle complicated situations, some of which are institutional, while some others are informal. B. The related issue of liberal politics and what liberalism has originally been.

The first question will be tackled through a resort to particular aspects of Machiavellian thought, some of which are quite thoughtful, while some others are treated by the author with a certain degree of skepticism. The debate constructed here will be closed with references to some Enlightenment authors, e.g. Descartes, Hume, Kant. The second question aims to develop a re-definition of liberalism, from the point of view of the above discussion, i.e. appropriate political means. It will be shown that liberalism was meant to be a humanizing tool especially as regards penal sentences and, as we argue, a “basic law” for human beings and their basic freedoms.

A final section is being added to help relate theoretical points to the Greek economic crisis. Some relevant social science questions are tackled in the footnotes section.

Key words: Postmodernism, new realism, political means, fortune, Greek crisis.

“The state of nature has a law of nature to govern it, which obliges every one: and reason, which is that law, teaches all mankind, who will but consult it, that being all equal and independent, no one ought to harm another in his life, health, liberty or possessions”

(Locke 1991/1690 in Ball & Ragger 1991: 81)

“It is only light and evidence that can work a change in men’s opinions; and that light can in no manner proceed from corporal sufferings, or any other outward penalties”.

(Locke 1991/1689 in ibid: 77).

“No man should be accused, arrested, or held in confinement, except in cases determined by the law, and according to the forms which it has prescribed”.

“The law ought to prohibit only actions harmful to society. What is not prohibited by the law, should not be hindered, nor should anyone be compelled to that which the law does not require”.

(Declaration of the French Revolution 1991/1789 in ibid: 109).

“Excessive bail shall not be required, nor excessive fines imposed, nor cruel and unusual punishments inflicted”.

(Bill of Rights of the US 1791 in ibid: 39, art. VIII).

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“Adoration of ends opens an appetite for means.

Too many means are to weaken the ends.

I adore means, I adore ends.

I adore means as well as images”.

(Kioukias 2014).

Introduction

The years of economic crisis and fiscal reorganization across Europe for all the benefits promised seem to have ushered in some new ideas about political and social order. Order, for example, is supposed to be more important, at least for some time, than some individual rights in order (!) for the European economies to become more efficient and adjustable to global economic competition. Neo-institutionalism, “public market” or “new public management” (e.g. Chandler, ed. 2000, Makrydimitris et al 2014) have surfaced as new ways of improving governance. So far, so good, but a particular kind of political realism appears to accompany institutional methods and their transparency with the result that several critics feel that various constitutional rights might have been suppressed or misinterpreted (e.g. Manoledakis 2007).

Yet it may not be solely the Market or the new institutional means to blame. Other students have put the blame on post-modernity¹, that is a culture which maybe rightly

¹ Post-modernity is a social science concept which denotes a new phase of late history which has gone beyond classical ideologies and definitive answers to historical and social problems (some basic sources are: Lyotard 1993 and Cahoon 1996).

To better substantiate this claim we may remind that political and social institutions are to a great degree shaped by culture. For instance, Max Weber attributed the coming of modern capitalism to the cultural background which to him was the “protestant spirit”. However, Weber himself admitted that market functions were observed in nearly all past civilizations: “Capitalism and capitalist enterprises, even with an advanced rationality of capitalist calculation, there have been existed in all civilized countries of the planet, as far as we can judge on the basis of economic documents: In China, Babylon, Egypt, Mediterranean countries of the classic era as well in the Middle Ages” (Weber 2010). Therefore, in his well known book he appeared to define a new stage of market development (see also Kioukias 2010: 29). The concept of “stages of development” appears in other (different) theories too (e.g. in Brewer 1980). If we combine these two theses (importance of culture and stages of development), we confirm the above thesis on the shaping force of postmodernism upon market and

sought to overcome some old ideological rigidities (dogmatic narratives), but at the same time contributed to an extreme relativism. The state and the law came under attack, while the political and social fragmentation which followed did not seem to provide an integrated political proposition. It seems that postmodernism is well suited to the transitional phase of the current global economic and political convergence. For as borders increasingly relax, so borders between public and private spheres as well as borders between “private” and “private” seem to do (a theme sometimes expressed by scholars as “hybrid” culture, see e.g. Moutsopoulos 2001).

One particular consequence of this state of affairs is some kind of superficiality as regards political institutions and methods. Sometimes one may come across particularly severe laws, some other times one may find some kind of erratic behaviour, even on the part of decision makers. Thus, we indeed can talk about a new “realism”². This is facilitated by new technologies, as communication provided is

politics. Some aspects of “postmodern capitalism” so to speak can be found in Rifkin 2000 and Drucker 1996).

Another scholarly current seems to disagree with the previous thesis, arguing that postmodernism, rather than being an autonomous shaping factor (an independent variable we might say), it is in fact the product of late capitalism (e.g. Jameson 1999). It does not disagree, however, with the thesis of “stages of development”, as Jameson talks about “late capitalism”. It can be inferred then that there might have been existed a different kind of capitalism which did not produce such symptoms as those allegedly attributed to postmodernism. In addition, I would argue that, since culture refers to regulation of human relationships, it seems to be a wider concept than the market. We cannot, for instance, claim that Babylonian market produced the kind of human relationships observed in Western cultures. In other words, if cultures are different, human relationships will be probably different and markets (organization of production) may differ too. This is particularly evident in non structural factors as in the behavior of the working force and the management. Naturally some common and ecumenical principles – derived from the characteristics of human species- must exist. In conclusion, in our view, market is a subdivision of a culture and is operated via particular human beings. Sometimes, it increases its power, while some other times politics, technology, religion or ethical norms play a major role in society. Vernant, for example, observed that in the ancient Greek city states the market was both an economic and social place and built according to the general political architectonic pattern (e.g. many parallel circles around an acropolis).

² A connection between postmodernism and realism is also established by A. Heywood (Heywood 2007: 562) on the grounds that postmodernism brings about a “politics free of ideologies which is concerned more about realism than idealism: it offers political products, not political visions”.

often distant and hidden and provides opportunities for lax behavior and speech³. It could be argued at this point that the gap created by postmodern culture and the erosion of the state was partly filled with a democracy of the ephemeral personalities, icons and images and finally habits, cultural and/or physical ones (it may be noted here that postmodernism used to “glorify” the partial, the local, the ephemeral, the sarcastic, or the “cult”).

More often than not comparing different epochs, that is resorting to some sort of historical analysis (including history of ideas), proves helpful in order to better understand the latter epoch. Consequently, we thought it useful to return to the roots of “realism” and juxtapose it along with classical liberalism. We believe that both traditions in the form of brief interpretations may bring light to some modern crises and hopefully help decision makers and citizens to reconsider some of their options.

Political Realism and the Practical Exercise of Power

As it is well known every day politics cannot solely rely on legal statute; as human beings assume the task of making laws “talk”, calculations, interests, rhetoric, passions and human relationships are also involved. The latter constitute the real exercise of power (the “actual implementation” function distinguished as it were from

³ Sometimes it is falsely assumed that sociological analysis of mass media and internet is also a critique of their technical capabilities and necessarily aim to question their importance. We would not like to take part in this fallacy. To provide an example, telephone was also a major invention, but it also favoured lax speech, while it contributed to a modification of social relations. With regard to some new forms of publicity, again one may not particularly like certain visual representations, but one may not necessarily reject publicity as such (in all its manifestations).

the “theoretical” and legislative ones-irrespective of the fact that implementation entails some “theoretical” and non material elements too: e.g. speeches, persuasion techniques, influence). A major figure of political thought, Machiavelli, well understood it and worked more on this side of politics than the institutional side.

Some writers of early modernity thought he pushed his argument too far, for he seemed to overstress atypical methods at the expense of legitimate ones. One of his “enemies”, Frederic B’, charged him with not bothering about cruel methods, calling him “master of horror” who in addition “softened” words normally associated with “horrible actions”. The King seemed quite offended by the “Prince”, for he would prefer him to have conveyed to the future statesmen positive messages such as love of education and devotion of life “to the hard task of discovering the truth” (see Kioukias 2009).

It is clear that Frederick’s style was not especially akin to Machiavelli’s cynical descriptions. In addition, he thought that he did not choose the right examples from past History (Frederick, it must be noted wrote at a later time when liberalism had made quite a few advances). As a result, due to such charges, the diplomat from Florence was supposed to have taken the path of a tyrant maker, one who excessively relies on realistic means⁴, supposing there can be drawn a sharp distinction between a

⁴ By the term “realistic means” we mean here non transparent and not formally legitimized means. The term “realism” in our view is not always clear. In any case we think that a good calculation of real power capabilities is a good aspect of realist school. The suitable means for action in particular cases is another thing which always puzzles statesmen as they have to take into account the existing institutional environment. The term “policy selling” is relevant here. We also think that the question of just decisions is inherent in human nature; consequently it cannot be avoided in politics. Indeed it seems that in most cases recognition is most desirable and therefore a “just” decision is sought. In some other cases it may happen that a leader or a leading group view and interpret justice in a narrower sense, in a somehow divine sense. In such cases accountability to wider audiences plays a minor role. In addition, under warlike circumstances there often appears the doctrine of the “lesser evil” which however may be interpreted either widely or narrowly. However, all political affairs cannot always be reduced to unsurpassable dilemmas, for in such case the decision makers may be charged with incompetency.

“superior” code of behaviour and a common ethics code (reserved for the masses). Descartes and David Hume basically agreed on this argument saying that certain practical means suit more tyrannical governments than constitutional ones, even though the former found in Machiavelli’s work some interesting observations (Machiavelli in Eleftherotypia, n.d.a) - indeed the kind of comparative analysis pursued, particularly in “Discorsi”, justify the claim that he was the founder of modern political science. But, most notably Kant’s little book on “Perpetual Peace” was a famous critique of realist and Machiavellian methods, as it sought to establish an ethical and law based political community both at the national and international levels. His main methods consist of toleration of foreign territories, denouncement of conquest, concerted and consensus decision making and legal agreements (Kant 1992).

More favourable views about this kind of thought argue that it is more rational and democratic (as indeed the thinker urged the statesman to take into regard his people and seek the love of them). In addition, he was supposed to pursue a right cause. This is an argument which gives the goal higher priority than the concrete means to be pursued to achieve this goal (also see note 2). In any event, it could be argued here that democracy is not just about the goals of a political authority; it is also a method in itself (see Sartori 1987: 152). Neither is it, we could add, a mere public interest. A good democracy should narrow the scope of public interest, just as it legalizes most areas of social life (and power itself). A leader is not judged by democratic wishes, but by observing the democratic procedures. Therefore we can say that democracy as an end does not justify all kinds of means.

Following Machiavelli, it could be argued that indeed real life is wider than constitutional agreements; that the boundaries of the legal rules are somehow

artificial. Would it be possible to shrink all human motives and actions to make them fit with (enforceable) legal formulas? An answer to this could be that laws normally embody common as well as advanced ethics to a great degree. From this point of view, one of the great dilemmas posed by Machiavelli, i.e. a sharp distinction between an advanced ethic versus common ethic, a so to speak platonic distinction between wisdom and common wisdom, need not excite us so much. For much of the wisdom is captured by the laws which in a democratic constitutional order connect the leaders with the led through a common communication code (though intermediaries and representatives are often required to make it functional).

Plato was explicit in that advanced wisdom is communicable-not without hard struggle though. In 'Polity' (Plato, Sinclair 1951: 143 ff) he seemed to adopt a particular kind of mysticism by limiting the gift of advanced knowledge to an inner circle. In his 'Laws' (Plato 1992), however, he appeared in favour of "a second best", suggesting that laws can be a sort of benign compromise. Laws in this light are compromised wisdom communicable to all.

Human relationships are often more complex than compromised and ratified wisdom makes of them, yet through such compromises and official ratifications we can establish a common (to all) code of (right) behavior.

Machiavelli, having studied the Greek and Roman letters, seems to be a mystic too. Both *virtù* and *fortuna* testify to this. For the former is an expression of a strong will (not necessarily accountable), whilst the latter is the hidden and the unspoken. Greeks had their own word for this: *moira*. This was a kind of fate inherited by chance

(*morja*=*lot*⁵). Hercules, for instance, had his own *moira*. Greek myths showed that you can use your virtue to fight a difficult fortune (to be finally rewarded). According to the myth Hercules opted for virtue at the expense of ‘malice’. The Machiavellian hero on the other hand is just led by the survival instinct. When faced with this dilemma, he did not bother to move to various options and found a good excuse for taking a lot more liberties. Deifying to him was not fighting within the frame of the law, but rather standing above the law.

Moreover, whereas in politics we often have to do with great (magnified) issues, we do not always face great dilemmas- which often provide governments with good excuses to widen their notion of public interest (see note 2). That we are called to choose through a ‘yes/no’ formula shows of course that most of the issues are made such great as to appear as urgent moral dilemmas (and we apply a common morality if we are to truly participate in politics. There is, of course, always a case we elect though a common moral code to make possible for the elected to apply a superior moral code-here we apply a simply functional and pragmatic formula).

Nevertheless, the outcomes of our procedures are laws (most of the times) which are lengthy, detailed, rarely reduced to a yes/no formula. In addition, if laws are good, they allow for various levels of punishments and rewards which are guided by a spirit of proportionality (weighing our actions and reactions in face of specific cases and circumstances seems indeed similar to tolerating).

⁵ It should be noted here that etymologically the word “democracy” (“*Democratia*”) was derived from the prefix “*da*” (*tha*) which in archaic times meant “*lot*” (share)- see Cohen: 117). Therefore, from this point of view democracy must be interpreted as a distribution of shares (farms initially), or, in later language, property rights. Democracy as a rule of the people (*Demos*) seems to be derived from classical thought. The most accurate definition of democracy seems to combine both dimensions, i.e. property rights and their distribution as well as the number of the rulers (see on this Blondel 1990: 24 ff).

Now there will always exist an area not governed and regulated by laws. Politics and diplomacy, morals and ethics usually govern this area of human transactions. Machiavelli, a diplomat by profession, aspires to be a professor of diplomacy as well as political psychology. He understands that human relationships cannot be solely handled through orders. He well understands the role of image in mass communication and a good deal of his suggestions in this area look like a common place by modern standards. However, he is so fascinated with political games that he does not bother at all to denounce particular techniques and practices. Unlike the Greeks (and some of the Roman heirs such as Cicero-Clarke 2004: 103), he does not care about suggesting change in the ways of doing things. Instead he makes himself a captive of a prehistoric cave, turning back to basic instincts. As such he makes us think that famous superior wisdom is nothing more than the wisdom of the underworld (a theme often showed by numerous contemporary cinema movies). What is more he constantly points out to states of both hidden and open war as if they were a routine state for politics. Politics is then truly the other face of war to paraphrase Clausewitz's dictum. It is politics by all means.

The man from Florence wished to portray things as they really are, that is why he is held to be a genuine representative of the realist school. Things as they really are: yes and no. Some phenomena are omnipresent (in human relationships), some others are 'new'. Some things become what we make them to be. Human relationships can be improved, for instance, by refraining from activating aggressive instincts. Some people may believe that this can be done through suppressing individuality. Some others may wish to uphold it. What is for sure there is a kind of knowledge which is capable of elevating human beings to a level higher than an one sided knowledge of survival may allow for. This is not an always easy knowledge and that is why the

people who dedicate their lives to haunting the 'truth' deserve recognition by the "Prince".

As a source has it, when in exile the man from Florence used to take off his dirty clothes, put on the garment of an official and sit down to write (Curry & Zarate 2011: 47). He did not just write about the "Prince" and Discourses; he also wrote about his misfortunes. A cynic would laugh at him, for his virtue and other suggestions of a diplomatic kind did no good to rescue him from bad fortune. The professor of diplomacy was a bad diplomat when it came to his own affairs (or we may say that fortuna was not on his side). Besides he lived at a time of extreme turbulence, division, fractionalization and intrigue. Thus, in a similar way to Hobbes' suggestions, he seemed to understand life as a continuous battle, a life with no much prospect, in which the instinct is the other side of fortuna. In such times some men adopt a heroic realistic stance; they seem to suggest that, if life is so cruel, everybody must be strong and tough too. A writer however who writes not just for present time, but for the future as well, may state some of such conditions and distinguish remedies for such conditions and remedies for other conditions. Yet we do not know much about the writer's feelings and inner thoughts, after all a hero who professes diplomacy is someone who is supposed to talk and write less. The students of his writings ought however to take them in principle at face value, reserving secondary interpretations for the end of their reading (or writing). When they reach this stage, they are supposed to explain to new students that what they interpret is a post script.

Time is not always on our side, is, in our view, one of the nicest Machiavellian sayings. As a matter of fact, historical progress may bring about greater civility and subtler political ways. Widespread democratization has been a method to achieve this end. On the other hand, renewed interest in Machiavelli and 'his' policies has been

evident in the 20th century, especially in foreign affairs (where public interest can be interpreted more widely than in domestic politics). Moreover, an eclectic intellectual spirit which has marked the last decades created some apparently strange bedfellows: his ethic has been associated with various public figures, both statesmen and intellectuals. Whether such associations are always convincing or not is here less important than the inference that this may have happened just because much of Machiavelli is about methods and ways. He is at the same time much about naturalism, that is to say (and confirm) that modern political institutions have not extinguished fundamental human roles and archetypical relationships. This kind of realism should not nevertheless render our inquiry purposeless. The key question of the relationship between a higher and conventional wisdom should be borne in mind. The art of Government should not be dissociated from law (including international law), as the latter, albeit imperfect and 'conventional', embodies both higher and conventional wisdom thus establishing a common language for leaders and led. Though human relationships cannot be 'ruled' by law altogether, the area freed from the realm of law should not be covered by primitive morality. Democracy is shown it cannot easily dispense with some primary rules, but it is a method in itself (not just a type of formal government). It makes sense to evoke it, particularly when it is in a position to humanize politics and society.

Machiavelli has offered us a platform for discussion as well as important insights in order for us to understand the roots of political realism in its particular manifestation of a view of politics as it is often practiced, especially when the rule of law is not held into great regard. In such cases laws become quite instrumental, furthering to a great degree particularistic interests, becoming populist or asymmetrical and unjust. Sometimes they appear unjustifiably severe, sometimes quite partial, some other times

sudden and quickly changeable. As it has been suggested by ancient Greco-Roman literature, the ups and downs of the laws signal that something is wrong with them as well as Government (e.g. Polybius, Plato, etc.). A cosmogony in the legal system resembles the mythical Giants vs Titans wars, i.e. a transition to a new social order. Normally the legal system is stabilized after a finite outcome of such struggle.

Sometimes social scientists tend to overstress the underlying conditions beneath social theories and ideas. However, it must be born in mind that the persons themselves can also create conditions- and ideas. That is to say that there is no reason to consider individuals mere captives of their social milieu. For instance, personal reading and relative choices cannot be precluded from the process of thinking and theory formation. Thus people who also lived in turbulent times came up with different conclusions from those of a particular kind of political realism. We turn therefore to classical political liberalism, as it seems that it offered some other ideas in relation to the issue of the practical exercise of politics, the political means and the art of government.

Classical Political Liberalism: An Enriched Reminder.

Is classical liberalism an antidote to the symptoms of excessively “realistic” politics as presented previously? A new (and personal I might say) reminder to such a tradition might add some new insights.

Liberal tradition has been transferred and made an impact in the modern constitutions: It constitutes a basic pillar of democratic constitutional states. According to it the state, or any sovereign by international law political authority is supposed to confine

itself to specific competences defined in turn by law. Among others it assumes the task to defend citizens against fellow citizens when they intrude into their personal sphere (sphere of freedom that is) and cause malaise to their life and creativity (as the latter is a basic aim of life and in the absence of it man/woman falls into a state of simplistic-elementary existence). In this Liberalism seems to incorporate a kind of ecumenical –natural law (Locke 1991: 81), as in nearly all past civilizations such goods have been regarded vital and the act of harming them unacceptable. Indeed inhibition of vital functions of the human body/organism is subjectively met with reactions and when a lot of subjects react, it is probable that a collective regulation which aims at the easing of relative inhibitions will come about.

Yet History has known instances of a quite cruel treatment of human beings-both by political authority and other men. In what in late centuries was called liberal-constitutional state there was institutionalized the principle of “non exemption” of the state from the general rule applied to all citizens. As it was said, political authority is confined to specific competences-powers , in Montesquieu’s words power controls power (Montesquieu 2006, Petroulakos 1995: 31), in order for a power to lose appetite for trespassing the “fences” of the people (Locke 1991-from this point of view liberal-constitutional authority, I would add, is not a borderless authority and distinguishes itself from communal utopias such as that of T. More).⁶

From this point of view, property is indeed under protection⁷, as there is a strong belief that not everything belongs either to the state, or the elites (an excessive concentration of means in the hands of a ruling elite would probably distort the liberal

⁶ The question of fair possession has been handled by John Locke, yet redistribution issues are not part of our subject, as we deal with liberalism as a rudimentary but fundamental starting law.

⁷ According to J. Rifkin possessions are closely associated with “personality”. For instance, if one was deprived of one’s intellectual products, one would feel as something without person (see Rifkin 2006: 233. The author bases this argument on Hegel’s equation of possession with liberty and personality).

idea which is mainly pluralist and in favour of divided power. In addition, there may be cases wherein an elite may interpret its position as such of a collective owner, I would argue).

If such conditions are actually held in the real world, a good example is transmitted to the body politic. However we do not think that liberal government is excessively relied upon example; it is rather an institutional government. In other words, let me argue this, this is much less a government through morals than it is through law⁸. It normally intervenes least in social morals, it appears indeed a “minimal government” (we have also come across the term “neutral government” which resembles more a balanced government than a true neutral government).

Nonetheless, such minimal expectations from a government may appear somehow problematic: “Minimal government” has often been criticized for appearing to be an indifferent one. This kind of discretionary non discretion especially as regards “life rights” has not always drawn proper attention and the normal rule is a constant call for state intervention. To draw an analogy, it may be not enough for a parent to directly (both *in expressis verbis* and in deeds) establish rules and practices of peaceful and

⁸ This is distinction in the ways of government was made by Montesquieu, 2006. The emphasis on governing by law is expressed especially in the Declaration of the French Revolution, see above passage.

To avoid any misinterpretations this conception does not contradict morality, particularly as Locke speaks on behalf of natural laws. Yet, in the classical liberal tradition there was drawn a distinction between issues which should be and become public (through law and publicity) and merely private issues against which a certain degree of toleration had been established (the role of publicity in Liberalism is well stressed in Dohn & Fritzsche 1977. This work by the way describes accurately the phenomenon but also makes critical remarks). We could add here that the term “minimal government” normally associated with Liberalism could well apply to this case too. What is public should not be confused with private, as Montesquieu wrote: “We should not attempt to regulate private issues via public law” (in Kioukias 2004).

To take the matter a bit further one might argue that in a modern complex society this rule may not be easily enforceable. There is still however a great space of private matters and traditions which could be left out of politics, or treated in a technical way (the question of whether politics is everywhere is tackled among others in Kioukias 2004).

convenient children upbringing; he/she must also intervene in family life in order to distribute evenly possessions.

Political authority is not of course a paternal or maternal power; it is a legal agreement concluded via representatives. Nevertheless, it will still be obliged to proceed to some kind of intervention, especially to attend social aims. But the way of such intervening which, once it manifests itself in practice, colors and personifies each political authority, varies with particular values and ideas. In any event it is subject to specific rules which do not infringe upon vital spaces of (free) life, as these are defined in constitutions' fundamental rights. Thus, while a particular mode of intervention bestows the exercisers of power with "natural personality", i.e. an identity and a concrete set of ideas, its exercise goes hand in hand with a so called "honest routine".

From this point of view, Liberalism is a fundamental *conditio* about the way of intervening. It is made to be a least coercive power-due to specific limits crossing of which might betray a qualitative change of the mode of government (*politevma*). For instance, if one deducts from democracy formal and essential freedom of speech, one may take a silent government. Then there may be developed indirect forms of expression, iconolatry, conspiratory tendencies, an excess in practical doings, hidden authoritarianism (lack of speech and resort to psychological pressure means) as well as other symptoms normally associated with tyrannical regimes (see e.g. Xenophon, Strauss, Kojève 1995).

The liberal way seems to be above all a component in the term "liberal democracies". As such it colors the way power is exercised as well as nearly all kinds of human relationships. It divides power to avoid confusion and possible alienation of powers. It

creates John Locke's famous "fences", to separate not just state from society, but also one citizen from another, to avoid infringing upon rights, capacities, creations (e.g. intellectual and artistic). It does that by limiting power representatives and simple citizens to their legally exercised business. Thus, according to the classical economic liberal credo creation of monopolies (either public or private) is despicable.

More often than not such claims have been regarded as utopian. The well known Marxist critique, for example, holds that in any case the state is a mere instrument of class interests, not of the people as a whole, but of a particular class (it may be noticed that without the word "class" the same expression would be much more acceptable by such critics, for the term, for instance, "public services" which are ought to service the people is normally quite desirable, while the role of the state as an instrument is not necessarily bad, at least when the state cannot be a Mind). For, if a state falsely presents itself as a Mind (an infallible one sometimes), it had better be an instrument. But equally a political authority which relies too heavily on sentiment may be proved to be just a propagandistic one).

In any event, this is a quite philosophical question which at the end of the day might be reduced to the matter whether man is capable of mastering his mind and soul independently of his material position. So we ask sometimes whether the fed is able to understand the hungry, the lucky guy the unlucky, or the one who comes from a "complete family" the orphan. So we argue here, if, aided, as it were, by modern science and audio-visual civilization which help us widen our visual scope, we are able to see beyond our nose and physical needs, then everything is possible: We actually can understand even under conditions of inequality and difference. Why is it then impossible for the teacher to understand the pupil, contemporaries History, politicians the citizens, independently of class and bias?

But, as we have slightly been distracted in relation to the basic argument, we shall close this parenthesis and our discussion by making reference to some other – in our view more actual- aberrations from liberal doctrine which it might be said has an appeal to numerous sides of the political spectrum.

Thus, the liberal state, or rather the liberal mode of governance, seems to have lost some of its balances in the face of various new social transformations and perceptions. Much has been said about the role of economic factors and regional or global convergence. What we could comment here is that many states seem to have confined their liberalism to an ethological and group pluralism as well as a concomitant ethical relativism, partly departing from classical liberalism as described above. Despite the fact that their law was kept individualistic to a great degree, there were developed quite a few (informal?) conceptions of group and collective responsibility as well as indirect responsibility, often not transferred to formal legal statute. What is more, there appeared a considerable increase in public and collective regulations at the expense of private space.

In conclusion, our comments- on a much discussed subject to be sure-aim to hopefully remind us of the fact that historically liberalism largely meant protection of individual rights and (self) protection of political authority from abuses and violations of such rights. Even if such kind of terminology may not directly appeal to people's sentiments today, perhaps a welcomed magnification of our inspection lens may make us more sensitive, especially when we encounter common but not happy human stories with close relevance to the individual rights theme: Honor/reputation, housing and living conditions, quality and quantity of legal sentences and relative suctions, torture and experimenting on humans, intellectual and artistic products, etc. As it was told, here we have to do with a quasi natural law (as it seems that such kind of rights

have been at all times and places of great concern⁹), a primary law, we could add, from which every kind of *vita contemplative* and *vita activa* (Arendt) does begin. As such it does not of course cover every aspect of human life, but is a basic precondition for them, especially in eras in which political means tend to forget the liberal part of constitutions.

Lessons for the current Greek economic crisis

It seems that in Greece too postmodernism gradually has become the prevalent culture, even before the Crisis. Some of its manifestations appear to us to be:

- The increasing significance of a new realist thinking and the decrease in the allegiance to the state, political institutions, older social institutions, grand (historical) narratives, the law, etc. Some of these beliefs were enhanced during the Crisis, as political institutions were considered inadequate to prevent it or efficiently handle it. Certain, disputed, values were replaced by a new realism with a concomitant belief in power and unlimited individuality. The liberal respect for life and society appeared less important and law and proper jurisdiction was rather equated with formalism and instrumentality. Sometimes, contemporary law was perceived as severe and imbalanced, that is not symmetrical with the actions attempted to be regulated. It seems that for various segments of society Crisis as a critical blow on basic property and income rights contributed to the weakening of the acceptance of law and political institutions. Heavy taxation, for instance, may be considered as an unjustified state intrusion in vital individual rights, especially when it is not accompanied by generous social compensation. As in principle the “Social

⁹ Here we provide a brief explanation to the question whether liberalism with all its rational pretenses in reality is initially based on irrational claims such as natural law (see Dohn & Fritzsche 1977).

Contract” is largely based on this formula, i.e. taxation with representation and social protection- a quid pro quo between clearly defined state intervention and true opportunities for human development- it is more than possible that the political system will be destabilized (in Greece and for that matter other countries too).

- As a result the power of non state groups, or personalities will be expected to assume more power and influence. This phenomenon which is comparable to what is happening in other countries is shaded by modern communication technology that increasingly focuses on image, lifestyle, habits, scandals (another word for habit), nutrition, psychology, ethnic groups, etc. Public persons are judged more on the basis of habits than achievement. Personal stories are constructed more on such basis than on a linear and global one.
- On the other hand, it should be added, efforts have been made for an avoidance of the pitfall of picking moments as good criterion of judgment and seeking objective criteria. Although in such cases a new personal narrative is not reconstructed or rehabilitated (except in the cases of submitting brief and formal biographies), readymade questionnaires and similar techniques are servicing evaluation needs. For, it seems that in postmodernity ensuing fragmentation has to be channeled to new representative, albeit minimal, forms.
- This is quite responsive to an ethics of efficiency which have succeeded the ethics of belief (according to Max Weber's distinction). Technical objectification techniques came as an answer to the problem of fragmentation and subjectivity (which indeed has been observable). From this point of view,

expertise assumed part of the state's control mechanisms (a natural answer in an era of continuous economic competition, save for the cases in which an abstract representation of this kind does not leave much room for essential discussion¹⁰).

- To point to another relative matter, postmodernism is particularly manifested in social roles and relationships, part of which were invested with a good deal of parody play (quite characteristic of postmodern mentalité). Role confusion, even power games such as social status usurpation and finally quite instrumental (political and social) means may have been produced as a result.

We can suggest then that postmodernism in Greece is probably a vehicle through which the liberal part of the Greek constitution is being rendered obsolete and a new realism established.

¹⁰ For instance, while some technical instruments are well tested and respond to the social functions made for, there are others which leave much to be desired. The widespread use, for instance, of informational tests about individual capacity may sometimes fail to succeed. More generally question based evaluation tools resemble closed "language games" (Lyotard 1993) in the sense that the "right" answer is chosen from the list of the "manufacturers" and not from the common sense or the large knowledgeable community (present and past).

Thus, a good question is, in our view, one which does not by pass individual will and knowledge, leaving much to be supposed according to a prefabricated scheme, in other words being just on the mind of the "examiner". For it may be the case that a particular question could be answered through plural alternative routes and sometimes different words, perhaps of older origin, but in practice conveying the same meaning as particular new terms/words.

Just like the laws or similar regulations, questioning must be well defined and articulated, leaving less room for arbitrary interpretation, as the latter is normally considered to be partial and (sometimes) "despotic" (in the sense that it becomes a privilege of the ruler, not a right of the examined in which case a "lengthy" apology is offered).

For such reasons, we think that in certain cases more room should be allowed for a freer-less stereotypical and expected- development of an answer, at least where judgment is asked or sought. Furthermore, we think that technical instruments should be subject to both accountability and *improvement*. As being technical, they should not be let become social-ideological and thereby divide society. It must be noted here that liberalism is not just about neutral settlements, but also reason and proper jurisdiction-competence.

Conclusion

A new kind of realism seems to have emerged in both in Europe and Greece under economic crisis with the result that the liberal aspects of modern constitutions seem to have somehow subsided. Postmodern politics have apparently made a good impact on societies, leaving room for this new realism, as postmodernism's main characteristic was a fierce critique of old political ideologies including liberalism. At the same time mass communication helped to uncover to the publics hidden political practices commonly understood or perceived as political corruption, while they chose to cultivate a "free" spirit of forgetfulness about "serious and grand narratives". In effect it seems that both demystification and entertainment fortified this new realism. The Crisis itself came in the end as an accelerator of this process. Fear, fun and "small stories" about hidden life swept the social landscape; social relationships became more fragile and politicians were reduced to a "small" category alike. Public order without necessarily full rights was then in order, albeit with full (enriched) political rights. Quite often, however, the markets' extreme fluctuation, new population movements, ecological dangers and terrorism did point to that direction. Quite often, though, a "realistic" adhocism would make its appearance, leaving the impression that a really grand plan was not there. Despite the good intentions and efforts to provide mechanisms of greater accountability and prevention, despite further coverage of social relationships with legal regulation, there seemed to be an impression of lack of (fair) regulation.

Machiavelli was a hero who lived in turbulent times and through his writings systematized political realism of which a main characteristic was the widening of the concept of “public interest”. Though political realism is useful in order for one to understand some actual power techniques, it should not be taken too far as a political method for it opens the way for a disrespect of human life, especially when the political means become quite advanced (as it happens in our times).

Classical political liberalism tried to humanize political and social relationships suggesting a well defined (by law), more tolerant and transparent political community. Human societies have gone further than this rudimentary Law, but any political settlement which will attempt to destroy natural and eternal foundations of life apparently embodied by liberalism will probably end in a new kind of tyrannical government, as the latter has been historically been combined with an extreme and non proportional attack on private life.

Technology advances rapidly. It offers more possibilities for the realization of human potential, but it also increases “the means”. These are not, of course, evenly distributed (as a good Machiavellian would well know) and therefore the weaker risk a much greater danger of losing freedom. So, apart from excellent means, we need excellent goals too. If we cannot avail such, we had better put some of our means and “weapons” aside (in a way similar to the nuclear weapons deactivation).

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The politics of 'autonomy': Greek university students (dis)avowing clientelism and negotiating party relations

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Abstract

In a university campus, situated just outside a provincial town in island Greece members of a student collective constitutionally allied to socialist PASOK (a political party with substantial influence in the local context) in everyday rhetoric and in election campaigns emphasize their “autonomy” from the party’s politics and criticize the latter’s involvement in the use of clientelistic practices. At the same time however, they systematically depend on practices of vote exchanging both to form the collective’s internal hierarchy and to enhance its place in the university’s institutional context. Drawing systematically from ethnographic fieldwork conducted from 2006-2008 in Crete the paper stands in accordance with recent anthropological approaches that seek the political in daily life and in subjects’ interactions. It aims to problematize notions and practices which are closely connected with the recent crisis and are often referred to among the main reasons the latter occurred in the first place. By systematically focusing on the political subjects’ point of view it aims to highlight the different meanings students attribute to forms of connection or networks of power that have been analyzed as clientelism and to record indigenous conceptualizations and evaluations of them, thus proposing ways of looking at the notion anew.

Keywords: student collectives, party politics, political practices, autonomy

1. Introduction

February 2008 was a month of turbulence for members of PASP Rethymnou, a student collective institutionally subsumed under the Greek Socialist Party (PASOK) and operating in a branch of University of Crete, situated in Rethymno. It introduced a period during which the forms and the content of the relations the members of the student collective constituted with the party and its local politicians were strongly challenged. At the heart of turbulence stood a decision taken by students with prominent roles in the collective's hierarchy to ignore intra party rules, forbidding simultaneous officialdom, and to claim leadership in the party's local Youth organisation. Stathis Papadopoulos, a leading figure of the collective at the time, justified his decision to claim leadership of the party's local Youth organisation in parallel to his role as the collective's Secretary through a discourse on 'autonomy', which denounced the party's (and its local politicians') efforts to control and 'patronize' the students:

'I could clearly see then how a local politician wanted to appropriate PASP. How this person and the party sees PASP as nothing more than an aggregation of votes to be carried from person to person and from procedure to procedure. Before the elections I got a call from this person and he told me...bring me 100-120 people to vote for my candidate and I will then give you 60-70 votes to attend the party conference. I did not accept his offer. I want the party to know that we can work together but I am looking for autonomy and political comparability'.

(Interview with Stathis Papadopoulos, 7-10-2008)

Interestingly, the same discourse was simultaneously adopted by others who objected to such moves. Papadopoulos' intra collective opponents and members of the local party also highlighted 'autonomy' every time they criticized the former's initiative and talked of the need to keep different levels of political participation separate in Rethymno or as it was most often expressed to 'keep everyone in its own field'. At the same time 'autonomy' as denial of all kinds of political mediation organized the discourse and actions of PASP's political opponents in the university campus; members of student collectives that were at the time defining themselves through systematic claimings to 'the Left' and through references to collective forms of action and broader non parliamentary political organisations of 'the Left'.

In the present paper I rest on ethnographic material collected from extended fieldwork I conducted from 2006-2008 in Rethymno - Crete and attempt to shed light on the ways Greek university students practice politics and conceptualize the relations they constitute with the political parties they affiliate with. The notion of clientelism is central in the analysis I propose. Its centrality is attributed by a number of reasons. First, on an analytical level clientelism has constituted the primary prism through which relations between different levels of political participation, namely parties and student/youth organisations have been described in the Greek context. This links to broader issues that draw from the historically defined ways student collectives were constituted in the first place since the fall of the Greek dictatorial regime in 1974 and the beginning of the time known as *Metapolitefsi*. Back then Greek parties, PASOK most prominently among them, systematically rested on the forming of student collectives and in the establishment of broad systems of vote exchanges in their efforts to become massive and claim

governance (Spourdalakis 1988, Voulgaris 2008). Besides its analytical role however ‘clientelism’ has also constituted throughout the research a word of the ground. It has been used by my interlocutors as part of a discourse that was organized around the indigenous notion of ‘autonomy’ (*aftonomia*) and as part of a context of evaluation of political practice. Last but not least clientelism constitutes a notion that since 2010 has come to the centre of public discourse. The recent crisis has been described as part of a set of problematic relations the people are forming with the parties and the state and the state through the parties. Though it must be said that the ethnographic material I present is drawn from a time period that precedes the crisis (at least its ‘formal’ beginning in 2010), I argue that the way the subjects of my research responded to notions connected with the crisis, can set light on the understandings social scientists produce of them today (Rozakou & Gkara 2013).

In what follows I try to unravel my interlocutors’ understandings of the connections they form with the party they affiliate with. I follow the impacts such understandings have on the organisation of the subjects’ political practices and give prominence to the multiple meanings students attribute to the notion of ‘autonomy’, by recording similarly multiple conceptualisations and evaluations of clientelism. As part of the cultural critique in anthropology (Marcus & Fisher 1986, Clifford & Marcus 1986) my approach puts emphasis on meaning; on what *aftonomia* means and how its meanings draw or enrich existing or emerging meanings of clientelism. Such an approach relies on a post-Geertzian anthropological notion of cultural meaning and benefits from the enrichment of its analytical uses with practice theory (Ortner 1994, 2006) to inform bottom-up understandings of political practices and to privilege their approach in terms of the

subjects' point of view in socio-historical context (Ortner 1999). It is also a perspective that stands in accordance with other recent approaches that since the beginning of the '90s have appreciated the 'multilayered complexity of political reality' (Abeles 1992) and have highlighted the need for researchers to move beyond the study of 'formal' politics and to seek the political through the multiple and culturally defined ways in which it is produced and organised in everyday life and in subjects' interactions (Abeles 1991, 1997, Gledhill 1994, Kurtz 2001, Vincent 2002).

2. Sketching the field: History and the subjects

PASP was first established in 1975 and followed the establishment of PASOK by Andreas Papandreou in 1974. During these first post dictatorial years a discourse of 'autonomy', was popular among university students in part as a negative response to the appropriation of student collectives by the parties and as a graded critique to the existence of centralised party structures, which were already blamed for promoting bureaucratic relations (Papadogiannis 2015). PASP members of the time were not an exception. Making use of the collective's original designation to function 'autonomously', meaning that members of the student organisation were allowed but not obligated to be aligned with the party structures, until the end of the '70s they relied at times on a discourse of 'autonomy' (*aftonomia*) to express doubts about the content of the relations they formed with the party and occasionally questioned their place in the intra-party hierarchy and the extent of the party's interventions in the making of their decisions. However, while during the same period members of Communist student organisations (such as the Rigas

Feraios or the B Panelladiki) were resting on ‘autonomy’ to repudiate all connections between centralised party structures and student collectives, PASP members’ version of ‘autonomy’ even when directed at the party, was in a way an echo of the party’s central political discourses. It drew significantly from the notion of ‘self-management’ (*aytodiaxeirisi*) that at the same time was central in all PASOK procedures. ‘Self-management’ constituted a notion used to describe the party’s attitude towards the workers’ ability to exercise control on the means of their production and as such played an important role in PASOK’s effort to legitimise itself as a socialist political formation and create a place for itself on the political map of the time (Lyrintzis 1984, Vernardakis 2004).

Things changed from the beginning of the ‘80s and onwards. After PASOK gained power, both the party’s appeals to ‘self-management’ and the students’ discourses on ‘autonomy’ altered. PASOK’s engagement with governance directed its focus onto specific practices which could keep it in power, augmenting what Lyrintzis (1984) has coined as PASOK’s ‘bureaucratic clientelism’. During the same period, the party’s emphasis on governmental power brought about different responses on the part of the members of the students’ organisations; namely, some of the members of PASP could not accept the levels of control exercised by the party’s leadership and abandoned their organisations in search of less hierarchical and more ‘autonomous’ modes of political participation, while others (the vast majority) complied with the party’s new political agenda and worked according to its terms (Spourdalakis 1988, Papadogiannis 2015). In 1982 the first PASOK government inaugurated new roles for the student collectives by

introducing a Law which permitted students to take part in the institutional management of Greek universities.

In the context of Rethymno in particular, both PASOK and PASP have been enjoying massive electoral support ever since their establishment. Namely, PASP ever since 1978¹ has been the first student collective in terms of percentages gained in student election (the collective has gained percentages that reach 54% in the recent past) as well in the number of people participating in the university administration. In the years 2006-2008 550 people were enlisted in the latter's ballots and around 1000 voted in favour of it in the annual students' elections. Those are extremely big numbers especially when contrasted with membership numbers or election percentages gained by other student collectives at the same time, which occasionally did not overcome 25 or 100 respectively.

PASOK's electoral percentages in Rethymno (and broadly in Crete) have been equally high during the whole period that followed the party's constitution in 1974. In the mid '80s Herzfeld described the 'rise of the socialist movement in Greece' as 'a real opportunity to recapture for Crete a dominant political role consonant with the island's turbulent and rebellious history' and underlined the importance of being a PASOK supporter or else a pasokatzis in Crete by giving an account of the ways that the latter realised 'the cultural identity of the Cretan in political terms' (1985: 94). Strong party presence in all levels of political action was also recorded during fieldwork. Namely, in the 2004 and 2007 national elections one out of two Members of Parliament elected from the Prefecture of Rethymno was PASOK affiliated. At the same time members of the local party were also present in all central intra party committees and played significant

¹ Date of establishment of University of Crete in Rethymno.

roles in local contexts of administration (since 2006 the Mayor of the town has also been supported by the local branch of PASOK).

During fieldwork the power of PASP in Rethymno, systematically drew and interconnected with the power of the local party. Despite the student collective's original designations concerning non compulsory parallel participation most members of PASP (at least those involved with the collective's management) were members of the local PASOK organisation. Such a status of parallel participation enabled PASP members to be involved in various intra party procedures and also empowered them comparing to other student collectives operating at the same time in other Greek towns and other Greek universities. Most importantly, however, as it will be argued below, worked systematically in the production of a culturally specific version of 'autonomy' and in the organisation of practices adopted to claim and realize it.

3. The politics of 'autonomy' and the (re)negotiation of party relations

3.1.(Dis) avowing clientelism or else 'when the party expects us to be passive'

In my daily encounters with members of PASP collective in Rethymno I was frequently informed that in the local context PASP was operating under its own rules and was given as evidence of its 'autonomy' its ability to bypass a number of principles, set to predefine its connection with PASOK and to present the former as a 'vote tank' of the latter. As one of my interlocutors, 23 year old Eleni once noted:

‘Here PASP is different. It has nothing to do with PASOK. I mean, yes PASOK is our political and ideological carrier but the people of PASOK don’t tell us what to do, as it happens in other PASP organisations elsewhere. We function on a level of autonomy here. It is just us struggling for the university and our co-students. And because we are different from other PASPs and we have our distance from PASOK you will hear many of us say that here in Rethymno we are not PASP or PASOK, above all we are PASP Rethymnou’.

(Interview with Eleni, 21-10-2008)

In the quote offered by Eleni, as well as in Stathis Papadopoulos’ justification concerning his candidacy, ‘telling us what to do’ was often understood as ‘telling us what and how to vote’ in joint procedures. Eleni continues:

‘I have to tell you though that during my first year as a PASP member I was more hesitant and stiffed with all this. But then we went as PASP members to the Youth organisation’s conference and there I saw other PASP members shouting not for PASP but for PASOK and the specific people they supported, and I was very disturbed. I saw them as aggregations of votes of the one or other candidate and I saw us, PASP Rethymnou members, standing in a corner, watching all these outrages’.

Eleni’s recollections of the first intra party procedure she attended served as a way to juxtapose the collective she was participating in from other collectives whose members accepted being told who to vote and who unlike PASP Rethymnou members did not react

negatively to performing practices of vote exchanges with the party. For my interlocutors however being or becoming a part of such intra party exchange networks constituted evidence of accepting hierarchies that favoured the party. Of evidently accepting a passive role for the students by ensuring that the control of the exchanges (and also the power) remained in the hands of the party and its politicians. ‘Why to vote for a politician who wants to use our power for himself?’, my interlocutor at last wondered.

‘Autonomy’ (*aftonomia*) on the other hand was presented as a context that was meant to challenge such pre-existing contexts of power by challenging the party’s requests and by denouncing the practices that were meant to reproduce them. It doubted the party’s precedence by by-passing the practices its people were adopting. When the collective stated ‘autonomy’ in the voting and more importantly in the making of a candidacy for the local Youth organisation, its members were opting for a different role in the intra party structure. At the same time they were disentangling themselves from a party already connected in public discourse with “bad” state governance. The leading role they were having in the context of the university campus was not to be parallelised with the governance of the party. While the others were struggling for power and were involved in unequal redistribution of governmental power, they were struggling for their co-students. They were forming themselves politically through statements of what they were and most importantly of what they were not.

However practices involving vote exchanges were negatively conceptualised only when they were performed or introduced by the party. Or else the telling of what to do and who to vote had other uses and was differently evaluated when performed in an intra – collective level.

3.2. Avowing clientelism or else demarcating the limits of ‘autonomy’ in practice

In the case of PASP Rethymnou, the same people that criticized the party for the forming of relations of clientelism, in their everyday practices at the university campus and in student elections systematically invested voting control with positive meanings and relied on personal relations of exchange to constitute the collective and to ensure its numerical and electoral precedence in the university campus.

Instances of such parallel conceptualisations can be found firstly in Stathis Papadopoulos’ candidacy itself and in the ways this was advocated by an attempt to openly control PASP members’ votes. ‘No member of the collective should vote for anybody else. The only way to stay autonomous is for all of PASP members to vote for a PASP candidate’, had Stathis himself urged his colleagues a few days before the elections. Furthermore such instances of voting control often extended beyond the definition of who to vote and involved the exchange of votes and the forming of relations with members of the local party. The collective’s primary political practice, the ‘informing’ of freshmen students, is indicative of this.

At the beginning of each academic year members of PASP assisted freshmen students in enrolment processes in the university’s departments. Assistance was given in the name of their institutionalised role, as elected delegates in student associations, and was possible largely because of the collective’s presence in all local contexts. During this process, freshmen students were welcomed in the university campus and were assisted by members of PASP in a broad variety of ways that would affect their daily life in Rethymno. Help was offered in completing the bureaucracy of the enrollment process

and in finding houses for rent or gaining part-time employment, mostly in cafeterias or nightclubs, owned by people also in the local branch of PASOK. During research I observed numerous cases of ‘informing’² and recorded a large number of freshmen students who were able to find a job in places owned by PASOK people and later claimed leading roles in the collective. Jobs in cafeterias or in bars were those most often requested and respectively granted because of the perspectives they created for a future in the campus’ political arena. Such types of employment enabled students to participate in equally important practices, which were organized around alcohol or beverage treatments (*kerasmata*). It thus assisted them in becoming ‘known’ to the student population in Rethymno and created better perspectives for them, when they decided to claim the votes of their colleagues in the annual student elections. The results of such perspectives were also evident in intra collective elections.

PASP constituted a highly centralised organisation, with concrete roles and places of power. This hierarchy was the result of extensive use of electoral procedures (in fact every decision in PASP was the result of voting), in which candidacies were constituted mainly according to the interested students’ efficacy in practices as the ‘informing’ or the ‘treatment’. In such a highly concentrated structure the ability to be elected as Secretary or to gain a role in the hierarchy of PASP depended mainly on the network of people everyone knew (or expected) could vote for them. This was also true in the making of candidacies. Candidacies were announced depending on the number of votes individual candidates could a priori ensure (by appropriating individual relations with people that had assisted in ‘informing’) or by becoming part of already constituted networks of

² For example in the particular department of University of Crete in 2008, from the 145 freshmen students, 70 were ‘informed’ by a PASP member.

power and through relations formed with students already served in places of power. ‘If you want to run for Secretary you must ensure at least 130 votes in advance’ Giannos admitted in a kind of discontent a few days after an unsuccessful attempt to claim a leading role in the collective’s 2008 annual elections.

Such exchange of votes furthermore ensured the numerical and institutional precedence of PASP in the university campus. At an intra-collective level help or assistance offered during ‘informing’ procedures was later (usually around Christmas) exchanged for participation in election ballots. PASP was known for the presentation of ballots that in some instances had up to 300 candidates. In terms of power, merely the total of votes PASP received ensured its supremacy in most student assemblies. Numbers were indicative of this. In 2006, 2007 and 2008 the vast majority of people elected to student assemblies or other institutional contexts of the university were members of PASP Rethymnou.

Practices such as those described above and the forms of vertical sociality they lead to, have been largely analysed through analytic schemes that are organised around the notions of patronage and clientelism (Campbell 1964, Waterbury & Gellner 1977, White 1980, Chubb 1982, Shore 1989). Moreover, in the Greek context PASOK constitutes a political party that has been primarily linked with such clientelistic practices (Lyrintzis 1984, 2011, Sotiropoulos 1993, 1994). However, in the context that I am examining here and according to analytic frameworks that focus on the emic ways that socio-political processes are being conceptualised by the subjects of research, the situation is different. Here practices that have been largely described in terms of clientelism are being made

meaningful in terms of ‘autonomy’. They are being re-conceptualised in ways that render them a prerequisite of ‘autonomy’.

In September 2008 the collective’s newly elected Secretary was giving his first speech to other members of PASP. It was the time of the year when the practice of ‘informing’ was taking place and he wanted to ensure that everybody understood its crucial role in PASP’s present and future:

‘It has forever been crucial for us to inform as many freshmen students as we can. This is the chance we have to show that we are different and to ensure our ‘autonomy’.’
(Tasos, 15-9-2008)

Linked directly to the students’ ability to claim ‘autonomy’, ‘informing’ involved PASOK in two ways. While on one level PASP Rethymnou relied on affiliation with the party and on relations with PASOK members in Rethymno to increase its electoral percentages in the university context, on another level the same practice enabled students to leverage numerical precedence in order to negotiate their place in the intra-party hierarchy and to organise discourses that dissociated themselves—from PASOK and from the clientelistic politics they (too) attributed to it.

‘The higher the percentages of PASP in the elections, the more autonomous we will be because the less we would be manipulated by people of PASOK here in Rethymno, who always rely on us, or think they can rely on, us for votes’
(Tasos, 15-9-2008)

PASP’s numerical priority empowered its members in their encounters with the central party too. Every time representatives of PASOK visited Rethymno, members of PASP

Rethymnou would demonstrate against the politics of the central party. In 2002, while the party was in government, PASP members publicly attacked the Minister of Education during his visit in Crete, making in this way a move that symbolised the collective's status of 'autonomy' and at the same time a statement toward members of the local PASOK, who would feel awkward by the actions of a student organisation they were unable to keep under their control. In an analogous move in October 2008 PASP members in Rethymno denied a role in all procedures connected to the party's public gathering, in which the main speaker was its President G.A. Papandreou.

The 'autonomy' my PASP interlocutors spoke of did not refute notions of mediation in political participation and it did not involve solely negative conceptualisations of vote exchanges and clientelism.. In addition, it was not contrasted against the students' participation in contexts that generally have to do with the exercise of power. On the contrary, it was constituted through the certification and realisation of forms of parallel participation in institutional and various intra-party procedures. Furthermore, it asked for more flexibility in the making of decisions and in the organisation of political action, echoing in this notions that featured in PASOK's speech in the '70s, while being selectively critical of the latter's ways of doing politics. The connections and the exchange of votes between the students and the members of the party were criticised only when seen as part of the party's practice of concentrating power, and not in reference to practices such as 'informing', which symbolised the subjects' effort toward the redistribution of power. What was, therefore, at stake with the version of 'autonomy' PASP was promoting or arguing for was not the total rejection of political connections with others per se or of the practices that lead to/ support the making of such connections,

but the (re)setting of the terms of those connections and the levels of control they left to the students. Members of PASP spoke of ‘autonomy’ in order to negotiate their place in the context of intra-party relations. Also, they relied on practices such as those presented above in an effort to enhance the collective’s role in every possible institutional domain (in the context of the university campus or more broadly) and to empower its members.

In 2008 the decision of PASP’s Secretary to run for office in the local PASOK Youth organisation constituted a tangible example of all these phenomena. It was an act of direct confrontation to the party’s constitutional rules and openly questioned the predefined set of intra-party hierarchies in the local context of Rethymno. As such, for PASP members it constituted the epitome of their request for ‘autonomy’ and a tangible proof of their ability to repudiate clientelism even when affiliated with a political party strongly connected in public discourse with patron-client practices. Also it contrasted them to other collectives of the same name which were not involved in such challenges.

4. Conclusions

Since 2010 the notion of clientelism has become an important part of public discourse and has been connected with a state of crisis itself understood as part of problematic relations individualized or collective subjects have been forming with the state and the parties. Yet in the ethnographic material presented above, practices that have been largely described as clientelistic are understood as part of a political agenda which was systematically organized around the notion of ‘autonomy’ and as such was meant to question predefined hierarchical connections among different levels of political

participation and the meanings attached to them. This was a political agenda which made use of the past and aimed to renegotiate relations between parties and youth/student organisations in the (ethnographic) present, and which rendered the kinds of relations and exchanges otherwise understood in terms of clientelism, into a fluid context to organise positive and negative evaluations of (appropriate or inappropriate) political practices.

The adoption of 'open' analytical categories that don't take forms of political participation as granted but perceive them as forms of sociality³ under construction and a focus on the indigenous notions that subjects rely on in order to make meaning of the multiple sets of power relations that inform their actions, offer new prospects for anthropological (and broadly social) studies of party politics. Most primarily such analytic viewpoints that look into political action 'from below', serve as a way to tackle recent arguments on processes of depoliticization. Phenomena of apparent depoliticisation of central-scene politics do not necessarily signal the end of politics (Mouffe: 2005). Instead, they are most often followed by parallel procedures, entailed in the development of other forms of individualised or collective political action, performed at everyday and non-'formal' levels or in institutionalised aspects of subjects' lives. Yet, more research in such directions needs to be done.

³ For the analytic uses of the notion of sociality, see Strathern 1988, Kuper 1992, Ingold 1996, Moore & Long 2013.

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Greek political elites and political discourse in the era of crisis: between populism and “elitism”

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Keywords: Greek crisis, political elites, populism, elections 2015, political discourse

Abstract: The adoption of the first Memorandum of Understanding (MoU) in May 2010 signaled the most significant turnaround of the Greek Third Republic, both in socioeconomic and political level. The austerity policies implemented during the last years with the adoption of two more MoUs, and two Medium Term Fiscal Strategies (MTFS), resulted in the creation of a totally new environment within the political field. Democratic participation, decision making processes, democratic deficit, renewal of party system and political personnel, emergence of intense anti-elitist (populist) discourse are only few of the most evident parameters that have been fundamentally influenced during the years of the “memoranda”.

Within the abovementioned political context, the current research seeks to examine the rate and characteristics of either “elitism” (pro-elites statements) or populism (pro-people and/or anti-elites statements) appearing in the political discourse of the two pre-electoral periods of 2015. In this way, we will be able to trace the integration rate and rationale of the new political reality that has been formed in the Greek political domain under the influence of the crisis, into the public political discourse. Our theoretical background derives from the

notions of political elites and its “counterpart” populism, as they “materialize” within the context of the Greek financial, social and political crisis.

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1. Introduction

1.1 Political elites under crisis conditions

Elite theories, estimate -among others- the impact that rapid social changes and crises have on the representation of political elites. Although the specific approaches differ depending on the period they refer to, the definition of what constitutes a crisis (i.e. regime change, deterioration of socioeconomic conditions) or the methodology they follow, an assumption tends to be common; there is a strong impact within crisis conditions in multiple levels (i.e. democratic representation, role of political elites and citizens, political parties, elections) of the political system.

During crisis periods the *lack of democratic legitimization* (Lipset, 1963: 64-65) and the consequent *increase of the democratic deficit* (Putnam, 1976: 210) are more than evident, since practices that can enhance citizens' involvement and influence (i.e. referenda, elections) against their representatives' power are rejected (Mosca, 1939: 157; Hayward, 1996: 17; Best, 2010: 104-113). Though the Greek political system has a strong tradition of rather frequent elections, that wasn't the case during the first period of crisis, between 2010 and 2012. Despite the fact that the adoption of the first MoU and the first MSTF caused a significant social turmoil, due to the lack of legitimization for the adoption of the austerity policies, elections were conducted only two years after the signing of the first MoU. This avoidance of elections brought about the argument of legitimization that was heavily used during that time on behalf of the majority of the opposition parties.

A strongly influenced -during crisis periods- parameter of the function of the political system is the *decision making process* (Isakhan and Slaughter, 2014: 13-15). In Greece, the

“state of emergency” rationale that emerged during the last years, and the necessity for the adoption of new -mostly austerity- policies within a very limited time frame, resulted in the marginalization of the Greek parliament. This marginalization came as a result of the procedures, which according to the Constitution (Art. 44) are followed ‘under extraordinary circumstances of an urgent and unforeseeable need’. The “Legislative Content Act” (Standing Orders of the Hellenic Parliament, Article 109) and “Very Urgent Procedure” (Standing Orders of the Hellenic Parliament, Art. 44 Par. 1), are the two most important procedures, which influence directly the decision making process. In the case of “Legislative Content Act” the parliament is circumvented, since the government implements directly a new law and the parliament decides on the new law after a certain period of time. In addition, under the “Very Urgent Procedure” the debating role of the parliamentary committees is downgraded, while the plenary sessions of the parliament are to a large extent curtailed.

Two additional instances enhance the democratic deficit of the contemporary crisis period in Greece. The first was the intended effort on behalf of political elites to delay and avoid the influence of citizens and civil society over the adopted policies. Besides the delay in conduction of elections, the conduction of a referendum was also rejected. Back in 2011, same as in 2015, the call for a referendum was rejected both on behalf of the main opposition parties in Greece and mainly on behalf of European officials (Pitty, 2014: 133-134). Especially in the case of New Democracy the declaration of the referendum of 2011 resulted in the shift of the attitude and discourse of the party, since in spite of its previous anti-memorandum stance (Karoulas and Poulakidakos, 2013: 365-378), New Democracy adopted a pro-memorandum rationale. Furthermore, the process of “public debating” was fundamentally transformed, not only at the political level as described above, but also at the social one. Social dialogue was marginalized or even absent due to the urgent adoption of

policies (i.e. lack of participation of social partners and representatives of society from parliamentary committees, diminished role of the National General Collective Agreement, which until the crisis was defining the minimum wage).

In addition, what seems to be evident during the period of crisis is the break of bonds between the Greek and the international elite institutions like ECB, IMF and European Commission (Pitty, 2014: 126-138), a condition that verifies the thesis that in case of crises the support of “international elite cartels” is of outmost importance (Higley and Pakulski, 2007: 20-21). All the important policies, that have been up to now implemented, are actually debated and negotiated only with the representatives of the “troika” (IMF, ECB, EC), institutions whose members are being appointed by specific institutions and are not directly elected by the citizens (Pitty, 2014: 125-126). Besides the direct intervention on behalf of the European officials regarding the conduction -or not- of elections or referenda, similar interventions were also evident regarding the evaluation of the Greek political elites, the effective implementation of MOUs’ policies or the adoption of bills on behalf the Greek governments without the former approval of the “Institutions” (Pitty, 2014: 125-126). The specific conditions caused dissatisfaction on behalf of the Greek political elites regarding the representation of the Greek interests within EU level (Tsirbas and Sotiropoulos, 2015: 15-16)

Despite the above mentioned “differences” between European and Greek elites, during crisis periods the *consensus between political elites* may be enhanced as well (Mills, 2000: 274-278; Higley and Burton, 2006: 55-103). The specific condition constitutes a major parameter of the dominant political parties in order to retain their influence and access to power. The intra-elite consensus is evident in the Greek political system of the period 2010 – 2015. A first proof was the creation of coalition governments, a condition which strongly opposed the up to 2010 dominant practice of single party governments. These coalition governments

lacked internal ideological coherence, since they were formed by parties coming from different sides of the political spectrum, as is the current case of the coalition governments between the radical left party of SYRIZA and the populist right wing party of Independent Greeks (ANEL). What seems to be more than evident during the last years is a considerable change in the attitude of political elites in terms of their willingness to co-operate in order to maintain their governing status.

Crisis conditions influence in a direct manner the attitude of political elites and political leaders. The necessity for assuring elites' reproduction, results in *the increase of elites' power* at the expense of intraparty participation (Putnam, 1976: 2010) and other institutions that may have a role to play in the adoption of specific policies, like the parliament or the citizens (Michels, 1997: 62 and 90). During the crisis period in Greece, the already marginalized role of parties' organs is even more evident. These conditions have resulted in the break of bonds between party elites and party members, and the consequent withdrawal of the latter from party organs (i.e. Central Committees, District Committees). Additionally, the lack of intra-party negotiation with the MPs resulted in the increase of disagreements, as opposed to the "traditional" obedience to the party's central position on a given issue. The lack of negotiation resulted several times in the voluntary withdrawal or the deletion of the dissidents.

The aforementioned differentiations of party elites are attributed to the fact that there are power inequalities even among political elites. According to the categorization made by Dogan there are "ordinary deputies" and "great parliamentarians" (Dogan, 2003: 64-65). In our case the category of "great parliamentarians" consists of the political personnel closely related to the political leadership of the power parties. These personnel mostly undertake initiatives for proposing and implementing policies. In the Greek case we cannot ignore the fact that the last elections of September 2015 were actually declared in order for SYRIZA to

regain its lost parliamentary majority after the voting of the last bailout program during August 2015.

In addition, the consequences of rapid social changes on political elites (i.e. lack of intraparty and parliamentary negotiation and consensus), as well as on the citizens (i.e. fluidity of electorate) result in the *fragmentation of the party system and the emergence of new political powers* (Dogan and Higley, 1998: 269-279; King and Seligman, 1976: 263-264; Jahnige, 1971: 466-500), a condition which is closely related to the prevailing conditions of the crisis. The up to 2010 predominantly bi-partizan party system has become highly fragmented, since a considerable number of new political parties emerged. On one hand, PASOK, the first main pillar of bi-partizanism, has been transformed to a party with very limited social acceptance (from 43,92% in the elections of 2009, PASOK was voted by the 6,29% of the electorate in the elections of September 2015, YPES 2016). Moreover, New Democracy, the second pillar of the pre-crisis bi-partizanism, has lost a considerable amount of electoral support.

On the other hand, SYRIZA, until recently a minor opposition party, has become a power party, “replacing” PASOK, while a significant number of small parties have introduced themselves to the central political scene during the last -crisis- years. In addition, the electoral turnout of MPs during the crisis has been the highest of the last decades, since similar percentages can be detected only during former crisis periods (i.e. restoration of democracy in 1974 or during 1989 a period stigmatized by serious accusations for political scandals) as can be seen from Table 1.

Table 1: Percentage of Newcomers per national elections¹

Year of National Elections	Percentage of Newcomers
1974	63,60%
1977	40,00%
1981	41,00%
1985	16,00%
1989 (June)	47,00%
1989 (November)	13,00%
1990	12,66%
1993	25,66%
1996	30,66%
2000	30,33%
2004	30,66%
2007	26,66%
2009	28,00%
2012 (May)	49,33%
2012 (June)	11,66%
2015 (January)	40,00%
2015 (September)	20,33%

All the above mentioned evolutions in the Greek political system resulted in *the rejection of the party system and the traditional political elites*, by a significant part of the society (King & Seligman 1976; Cotta και Verzichelli, 2007: 463). The specific rejection has taken the form of two main attitudes on behalf of the citizens. The first is the abstention percentages in the elections that were conducted during the crisis period which have been increased by more than 20% compared to the elections of 2004 (from 76,5% in the elections of 2004 the participation of citizens have decreased to 56,6% during the elections of September 2015). The second is the emergence of the far right party of Golden Dawn which has gained a considerable electoral power during the last years (between 6-7%), being the third most

¹The table combines a number of different sources. For the period between 1974-1988 data are coming from the book Tziovaras, G.- Chiotis, V. (2006) *The political map of the Metapolitefsi 1974-2006* (in Greek), Athens: Livanis. The data for the period between 1989- 2011 from the unpublished dissertation Karoulas, G. (2015) *Political parties and the emergence of political elites in the Greek party system of the period 1989-2011: factors of conformation of the leading political groups* (in Greek), PhD, National and Kapodistrian University of Athens. Finally the data for the elections of 2012-2015 are deriving from the official website of the Hellenic parliament.

powerful party during the elections of January and September 2015, a case which is also closely related with the crisis conditions (Linz and Mir and Ortega, 2007: 317-318).

Finally, an alternative form of politicization during period of crisis is the activation of social groups through social movements or civil society formations (Dahrendorf, 2004: 5-6), as it happened in several cases in Greece during the last years (i.e. “Indignados Movement” or “I don’t Pay Movement”). The emergence of alternative forms of political activity derives from the fact that specific social groups cannot be expressed or represented through the existing political parties (Best and Cotta, 2007: 23-24). Especially the last two parameters –the rise of Golden Dawn and the emergence of social movements- are related to the public expression of a populist discourse and rationale that has gained dynamic in Greece within the condition of crisis (Stavrakakis and Katsambekis, 2014: 135).

1.2 Populism and its emergence under crisis conditions

Thus, apart from the above mentioned theoretical and phenomenological approach of the elites’ theory and its relation to the contemporary Greek political system, the current research will focus on the political discourse, as expressed by party representatives, during the two pre-electoral periods of 2015, trying to locate populist elements in the opinions expressed through the televised appearances of party members.

To begin with, “populism” belongs to the controversial concepts of the social sciences. Each time the word is used, depending on where and on what circumstances one uses it, it may acquire a different meaning (Borges, 2005: 2; Laclau, 1977: 143). Its application and rationale varies widely across different countries, contexts, and historical time periods (Borges, 2005: 4; Howard, 2000: 19-20; Laclau, 1977: 144; Aslanidis, 2013: 18; Borges,

2005: 5). After all, political survival in almost any regime (even authoritarian ones) demands that some kind of “populist” measures be taken (Borges, 2005: 15).

Populism as a term is often employed in loose, inconsistent and undefined ways to denote appeals to ‘the people’, ‘demagogy’ and ‘catch-all’ politics (Albertazzi and McDonnell, 2008a: 2). We are usually left with the paradoxical situation that we think we know clearly who to call populists, but not what to call populism (Raadt and Hollanders and Krouwel, 2004a: 4). In a nutshell, populism remains a fuzzy concept, loosely defined, disconnected from a specific type of regime, ideological content or position in the political space, since it ranges from left-wing to right-wing (Mayer, 2005: 2; Papadopoulos, 2004: 5; Howard, 2000: 19-20; Jones, 2007: 37).

Definitions of populism range from characterizing it an ideology (Raadt and Hollanders and Krouwel, 2004: 6), a sum of procedures utilized to ascertain the will of the people (Radcliff, 1993: 131) or a “tactical device” in the form of rhetoric strategy or style of communication (Raadt, Hollanders and Krouwel, 2004b: 1). Most theorists, though, agree that two are the basic principles inscribed in populism: the appeal to the people and the anti-elitist discourse (Aslanidis, 2016: 7-8, Mouzelis, 1985: 330; Raadt and Hollanders and Krouwel, 2004a: 4; Raadt and Hollanders and Krouwel, 2004b: 1, Lyrantzis, 1990: 45).

Under this rationale, populism can be defined either as a “thin-centred ideology” or a political/discursive logic, “that considers society to be ultimately separated into two homogeneous and antagonistic groups, ‘the people’ versus ‘the elite’, and which argues that politics should be an expression of the general will of the people” (Mudde, 2004: 543; Aslanidis, 2016: 7-8; Aslanidis, 2013: 19, Stavrakakis and Katsambekis, 2014: 122) against the elites, who aim to deprive the people of their rightful democratic capacity, for their own personal benefit (Aslanidis and Lefkofridi, 2013: 26). This brings with it a certain notion of

the people, perceived as one, united and organic. No cleavages exist but one: elite versus mass (Lyrintzis, 1990: 48). The former has “hijacked” representative democracy, and populists will bring it back to the people (Raadt and Hollanders and Krouwel, 2004a: 8). Populist political leaders appeal to the need to restore whatever is perceived to be missing: be it honesty, leadership, social justice, national pride, strong-hand against crime-violence and/or political disarray, etc. (Torres, 2006: 4).

In this sense, populism may be also seen as a communication style or strategy which is adopted by political actors seeking to display their proximity to the people (Mazzoleni, 2008: 58). Given that populism can be considered a strategy, it constitutes a “tool” used by any political actor regardless of her/his ideology. Populism can be a fundamental ingredient of the rhetoric of all parties, either traditional or radical ones, creating ‘systems of meaningful practices that form the identities of subjects and objects’ through the construction of antagonisms and the drawing of political frontiers (Stavrakakis and Katsambekis, 2014: 122). What differs is the range of use of the populist rhetoric (Aslanidis, 2013: 21). As Ernesto Laclau has put it, populism ‘is not a fixed constellation but a series of discursive resources which can be put to very different uses’ (Stavrakakis and Katsambekis, 2014: 136).

On one hand, right wing parties represent “exclusionary” populism. The core of this political doctrine consists of a restrictive notion of citizenship, which holds that genuine democracy is based on a culturally, if not ethnically, homogeneous community (Betz, 2001: 2). Contemporary radical right-wing populist parties are anti-foreigner parties, or, perhaps more precisely, anti-“foreignization” or “anti-multiculturalism” parties. (Betz, 2001: 10). On the other hand, left-wing “inclusionary” populism (Stavrakakis and Katsambekis, 2014: 135) -as it is taking place mainly in Latin America and recently in European periphery (Greece,

Spain)- appears to be expressed mainly through a social classes- stratification rationale (Stavrakakis and Katsambekis, 2014: 123, Aslanidis, 2013: 19-20).

Due to its ability to spread at the same time in the whole ideological width of the political spectrum (from extreme right to radical left- horizontal spread) and to “intrude” in any kind of specific political discourse (vertical infiltration), having its own distinguishable characteristics (appeal to the people, anti-elitist rationale), populism can be considered an ideology and discursive practice at the same time. As such it will be researched for the scopes of the current paper. After all, discourse constitutes the basic carrier of ideology. Hence, the predominant dimension of populism depends on the way one observes it. From a political point of view, populism may be primarily seen as an ideology, whereas, from a communicational point of view, populism may be examined as discourse. In any case, these two dimensions are mutually inclusive.

Due to its predominantly Manichean rationale of approaching the political and social reality (“us” vs. “them”, “people” vs. “elites”, direct democracy vs. representative democracy) (Lyrintzis, 1990: 48), and the moralism pervading the populist rhetoric, populism has been attributed several negative connotations and severely criticized due to this rationale (Raadt and Hollanders and Krouwel, 2004b: 1, Aslanidis, 2013: 20; Aslanidis, 2016: 7-8). According to its ideological opponents, populism does not take into consideration intra-society pluralism, since it downgrades the internal “divisions” of the people (Aslanidis, 2013: 26; Lyrintzis, 1990: 48). In the same “monolithic” view populism addresses the “corrupt” elites as well, omitting the fact that not all elites or elite members are the same, presenting an oversimplified version of the social, economic and political arena. For these reasons “populism” has become so ideologically charged that most of the time its meaning is imprecise, if not outright lost (Borges, 2005: 13), serving as a scape-goat for both the left and the right for everything that each sees as problematic (Borges, 2005: 2-3). Despite that,

according to several theorists, “populism” per se is not the problem, but the practices and the aims associated with it, which can be totally separated from the overarching concept (Borges, 2005: 12).

The emergence of populism is historically linked to a crisis of the dominant ideological discourse, which is in turn part of a more general social and political crisis (Laclau, 1977: 175-176; Holman, 2003: 15-16, Torres, 2006: 4). Populism is developed within conditions of crisis and transformation of the cultural values and social structures. It can be developed in rather “stable” societies, in which market mechanisms downgrade the prevalent cultural standards and weaken civil society mechanisms. (Lyrintzis, 1990: 54) The key feature of populists is their claim to be the ‘true democrats’, fighting to reclaim the people’s sovereignty from the professional political and administrative classes (be they in regional or national capitals, or at supranational level in Brussels) (Albertazzi and McDonnell, 2008: 4). One can claim that populism flourishes in a context of radical social and political changes and is connected to the emergence of new social powers in the political domain (Lyrintzis, 1990: 55), which is the case in Greece during the contemporary crisis period.

Focusing on the supranational level of governance at a European level, although international organizations have become the locus of important decisions and will doubtless continue to be in the future, they include a certain grade of democratic deficit, since international governance is conducted mainly by bargaining among bureaucratic and political elites, operating within limits set by treaties and international agreements. (Dahl, 1999: 16) We have thus moved, into a form of democracy where ‘the people’ of twenty-first century Western Europe may enjoy more enshrined rights than ever before, but in exchange for less real (or at least less perceptible) voice and sovereignty than in the past (Mair, 2006). Citizens are thus steered away from direct participation in politics (other than voting). In this context, national political elites can easily be depicted as having ‘sold the people out’ to an

unelected (and uncontrollable) supranational oligarchy in Brussels and to the rapacious financial elites of multinational corporations. All the above is “fuel to the fire” of populism (Albertazzi and McDonnell, 2008b: 218-219).

Another important factor that enhances the emergence of populist discourse is the media. The contribution of the media to the establishment of a ‘populist *Zeitgeist*’ in the twenty-first century appears to be threefold (Albertazzi and McDonnell, 2008b: 220). First, through the highly important role of media to political education of the masses. The relevance of the media, and particularly television, as the main mode of communication between a party and the public, is of utmost importance. Second, the media now play a growing role in setting the political agenda. For a party to win back at least some of its control over this agenda and make sure that its priorities gain visibility, it needs to manage the media and create ‘media events’. This clearly benefits populists, who tend to be the most adept of all when it comes to spectacular politics (Albertazzi and McDonnell, 2008a: ch.4; Axford and Huggins, 1998: 6; Albertazzi and McDonnell, 2008b: 221). Third, the values and practices of tabloid press, have led to the increasing personalization of politics. Moreover, the tendency of the media to present complex problems in black-and-white terms, sensationalize events, focus on scandals, reduce political competition to personality contests and dramatize questions presents a welcoming environment for the communication style of populist leaders (Albertazzi and McDonnell, 2008b: 221).

In order to locate it in political discourse, populism can be defined through specific characteristics. Several components have been repeatedly identified by various theorists: 1. Presence of a charismatic leader; 2. Saying what “people want to hear”; 3. The instigation of “class warfare” by pitting rich against poor; 4. Constant mobilization of the “masses” 5. Mention of “external threats” or “foreign enemies” that threaten the “gains of the people”; 6. Distrust of the legal order and appeals to “direct and popular justice” (Borges, 2005: 7-8). In

addition, party programmes reflect the populist democratic ideology when three indicators are present: (1) references to ‘the people’ in the sense of ‘common people’ or the ‘ordinary man’, as a single entity without internal cleavages; (2) proposals to create a direct relationship between the people and the power holders; and (3) anti-establishment and anti-elite statements (Raadt and Hollanders and Krouwel, 2004: 8-9).

Greece’s recent history, after the seven-year military dictatorship (1967–1974), has been marked by populist movements of all kinds, ranging from the popular-democratic left to the religious far-right (Stavrakakis and Katsambekis, 2014: 124; Aslanidis, 2013: 17). The Great Recession that emerged in early 2010 triggered an unprecedented level of political turmoil in Greece, leading to a major readjustment of the party system (Aslanidis and Lefkofridi, 2013: 29; Aslanidis, 2013: 22). Within the crisis context that emerged in the European periphery (e.g. Greece, Italy, Spain, Portugal), new political parties that based their rhetoric on populism came to surface.

2. Research

2.1 Methodology- Aims of the research

Our attempt to track both pro-elitist and populist (pro-people and anti-elitist) characteristics in political discourse will focus on the two pre-electoral periods of the general elections held in Greece in January and September 2015, making use of the methodology of quantitative content analysis. Content analysis transforms material of mainly qualitative nature into forms of either qualitative or quantitative data. It can be briefly defined as the systematic, objective, quantitative or qualitative analysis of the characteristics of various messages (Neuerdorf 2002:1). It is related to the analysis of written and oral discourse in the media domain, though it can be implemented in any form of communication (Berelson 1952, Kyriazi 2001). It is a systematic reproducible method of compression- transformation of the words of a text into fewer categories of content, based on specific coding rules (Berelson 1952, Stemler 2001, Miller & Brewer 2003), allowing researchers to analyze big chunks of data through the use of a systematic methodology. According to Weber, content analysis is “the research method using specific rules to export valid conclusions from the analysis of texts. These rules are set each time by the theoretical background and the issue under scrutiny” (Weber 1990: 9). All the above mentioned characteristics describe a method leading to the systematic coding and quantification of the written and oral speech, which are being analyzed with the use of statistic tools. Through the statistic elaboration of the data one can reveal statistic correlations, based on which the researchers control the theoretical hypotheses of the research or come up with new theoretical approaches for the social issues under scrutiny (Kyriazi 2001: 84-85).

The current research will focus on the political discourse as it was expressed through the representatives of political parties that participated in political talk shows of the Greek

nationwide television channels (both public and private) during the two pre-electoral periods of 2015 general elections (approximately three weeks before each election). Our research seeks to examine either the conflict or the transgression of both elitist and populist elements of discourse in the statements of the Greek politicians. Our unit of analysis is the individual politician participating in the talk shows. A total number of 226 politicians were examined participating in 33 talk shows of the majority of the Greek nationwide public and private TV stations (ALPHA, MEGA, SKAI, STAR, NERIT/ERT). The 226 politicians are divided as follows: PASOK 30, New Democracy 33, To Potami (The River) 31, KKE 29, SYRIZA 27, AN.EL. (Independent Greeks) 24, Laiki Enotita (People's Union) 20, Golden Dawn 12, KIDISO (Socialists Democrats Party) 8, DIM.AR. (Democratic Left) 7, ANT.AR.SY.A. (Anti-capitalist Left Collaboration for Subversion) 3, Enosi Kentroon (Central Union) 1, LA.O.S. (People's Orthodox Alarm) 1.

Our main research question is in what extend and in which ways can the pre-electoral discourse of party representatives in Greek televised political talk-shows be considered as either pro-elite (supporting the political status quo) or populist (pro-people and anti-elite), reflecting the new conditions formed in the Greek political system within the crisis context. Our research question, based on our theoretical background can be further analyzed in several research hypotheses and additional research questions:

- H1. Based on our theoretical background, we expect that the urgent procedures in the decision making processes, even if they undermine democracy, will be characterized as necessary, mostly by the parties participating or having participated in the coalition governments. Under a similar rationale, the “normal” democratic procedures (elections, referenda) will be approached in a rather “negative” way, as “unnecessary” under the crisis conditions.

- H2. Given that during the Greek crisis, a rather evident “break of bonds” between the Greek and European elites has been taking place, we expect that the political discourse of the party representatives will reflect that situation.
- H3. Given that during crisis periods the intra- elites consensus is enhanced, a condition reflected on the formation of coalition governments, we expect that this consensus will be affirmed through the rather positive reference of the political elites to either the emergence or the necessity for collaborative governmental formations.
- H4. Under the rationale of the prevalence of a populist discourse in crisis periods, we expect that the politicians will include a rather generic pro-people rationale, by unanimously commenting on the citizens in a positive way.
- H5. At the same time the politicians will include a rather generic anti-elite rationale in their discourse, by mainly criticizing specific elite groups (e.g. financial elites, political opponents, European elites) for the emergence and intensity of the crisis.
- H6. As basic characteristic of the populist discourse -especially within crisis conditions-, the politicians include “dichotomies” in their discourse (e.g. pro/anti-memorandum, pro/anti-Europeanism, Euro/Drachma, Left/Right). Thus we expect this rationale to be significantly evident in the political discourse of the two pre-electoral periods under scrutiny.
- Q1. How are the interventions on behalf of civil society, social movements and citizens evaluated by the politicians? Under the pro-elite rationale, we expect the politicians to undermine the significance or even criticize such manifestations. Whereas, under the populist rationale we expect the politicians to praise such actions as pure manifestations of the people’s true will.

- Q2. Under the same rationale as Q1, how are the processes that enable citizens to participate in the decision making process (e.g. elections, referenda) characterized by the political elites? Are they predominantly approached with a pro-elite or a populist rationale?

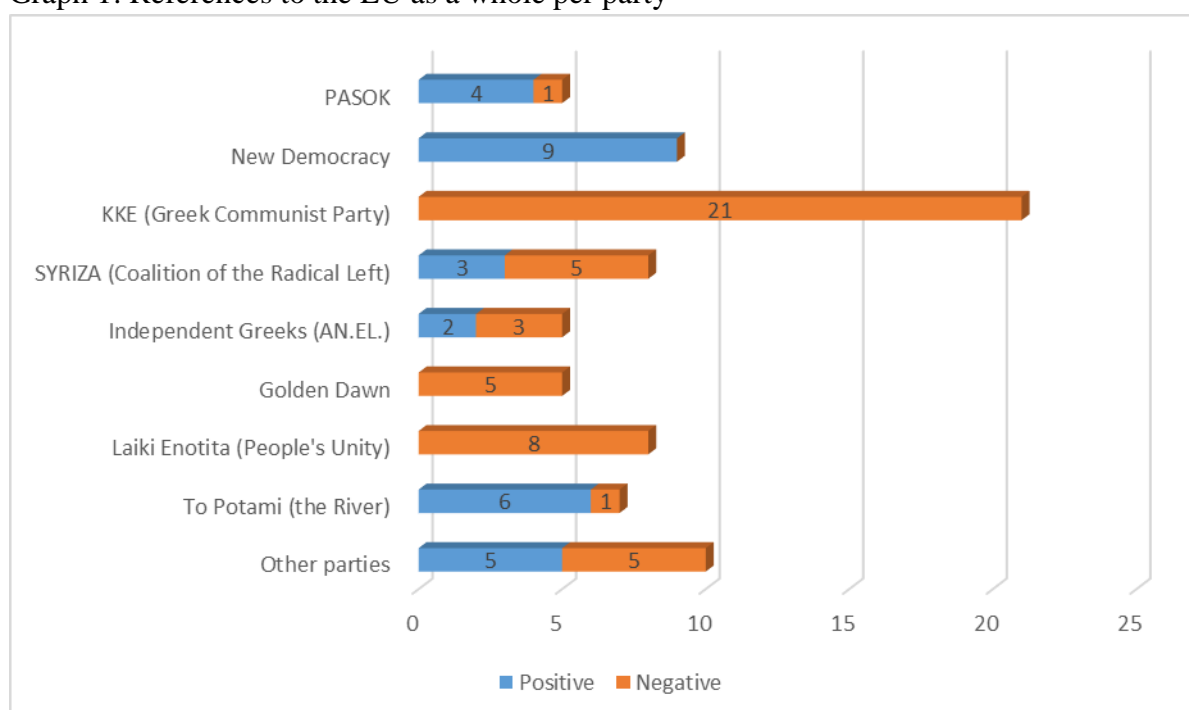
2.2 Results

Even though legal acts and urgent procedures have played a significant role for the maintenance of power on behalf of the elites during the Greek crisis, the politicians prefer not to comment on them during the pre-electoral periods we examined. In January talk shows only two politicians referred in a negative way to the role of the legal acts, while in September only four. The same thing occurred with the urgent parliamentary procedures, which appeared in the discourse of only four politicians during the September 2015 pre-electoral period. The vast majority of the total number of ten references to legal acts and urgent procedures in both pre-electoral periods comes from opposition parties (KKE, Golden Dawn, To Potami and New Democracy as opposition party after January 2015). Regarding the referendum, out of a total of 22 references in both pre-electoral periods, only 3 of them are under a positive rationale and the rest (19) are negative ones. Almost identical is the reference rationale for the elections as well, where 20 out of 23 references are negative. Based on the abovementioned results, we partly accept our first hypothesis on the presentation of legal acts and urgent procedures as necessities in the decision making process in crisis periods and the negative approach of democratic procedures like the elections and the referendum.

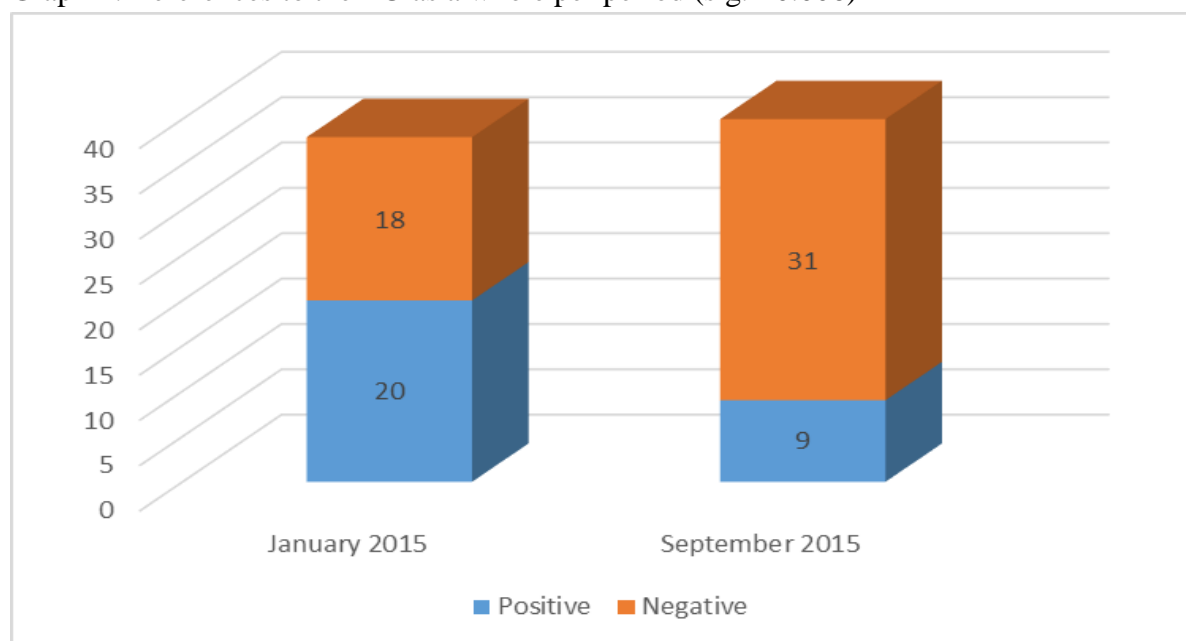
Due to the crisis during the last years, a condition of “conflict” between the Greek and the European elites has been more or less evident within the public dialogue. Under this

rationale we examined a variety of different references to the European institutions (EU as a whole, European Commission, European Parliament, ECB, European officials in general, specific European officials and Institutions/ Troika). The majority of the relevant references has to do with the EU as a whole (78 references), the European officials (34 references) and Institutions/troika (32 references).

Graph 1: References to the EU as a whole per party



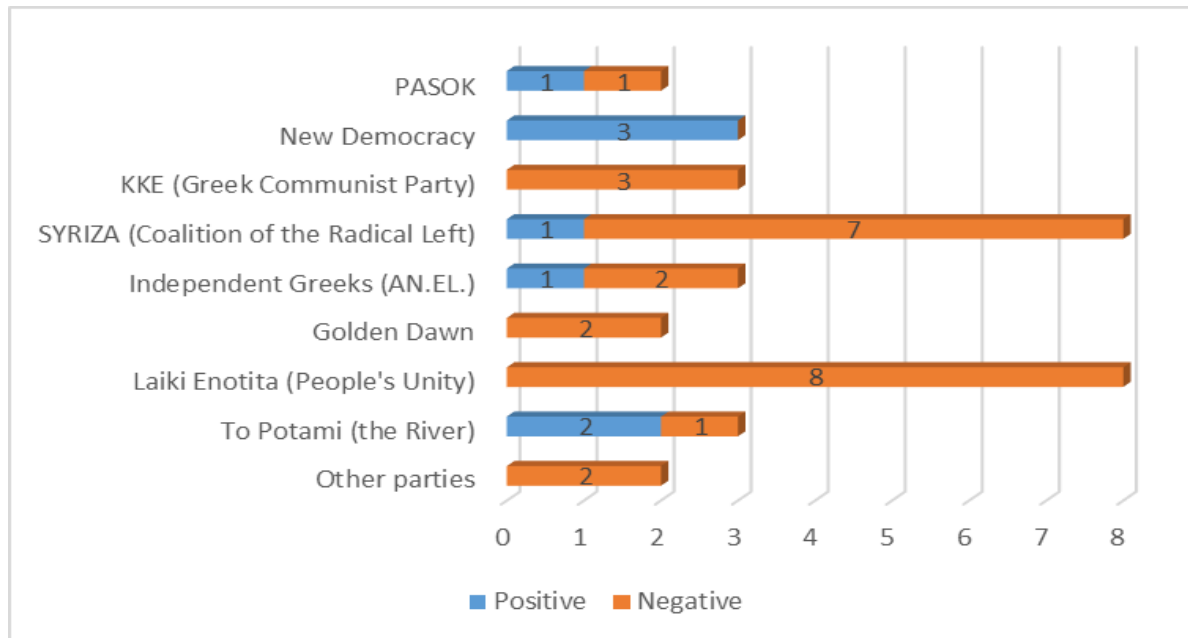
Graph 2: References to the EU as a whole per period (sig.= 0.006)



In terms of the references to the EU as a whole per party, PASOK, New Democracy and To Potami adopt a positive stance, whereas KKE and Laiki Enotita -more intensely-, SYRIZA and AN.EL., express themselves in a predominantly negative way. A similarly significant difference is to be observed in the two pre-electoral periods as well. In the January 2015 period the positive and negative references are rather balanced, whereas in the September 2015 period the negative references significantly outnumber the positive ones² (Graphs 1 & 2).

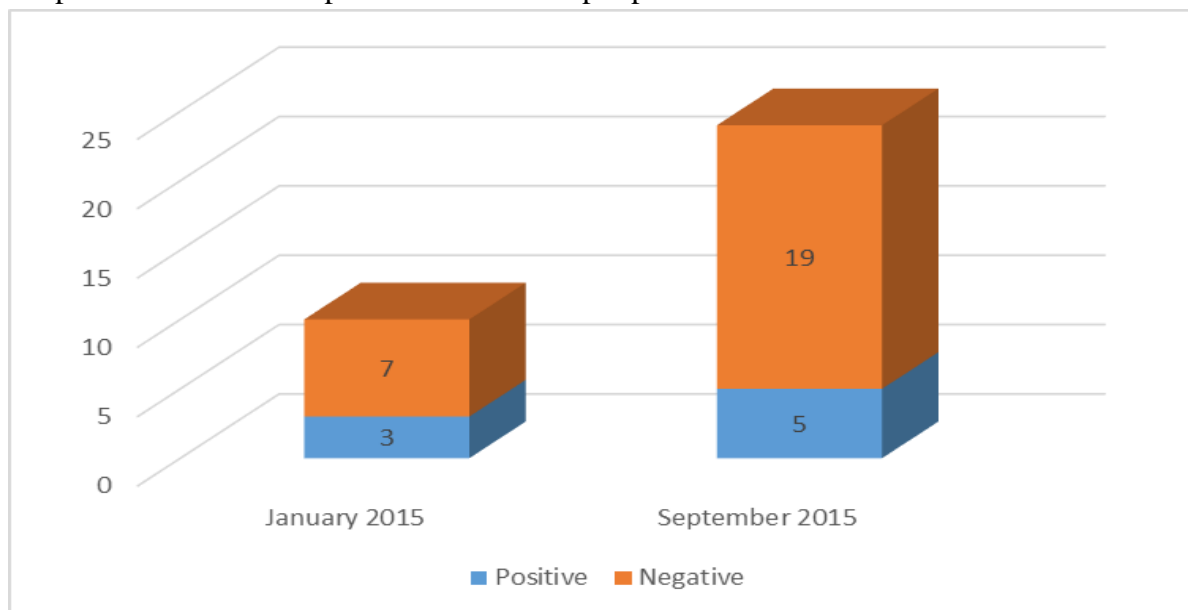
² The significant difference is reflected in the p value of our statistical test for the current cross tabulation as well. In this case the chi-square p value is significant at the 0.01 significance level.

Graph 3: References to specific EU officials per party



As far as the references to specific European officials are concerned, the per party “image” is similar to the general references to the EU, with PASOK, New Democracy and To Potami politicians appearing to express the most positive opinions towards specific EU officials and the other party representatives appearing as negative towards them (Graph 3).

Graph 4: References to specific EU officials per period

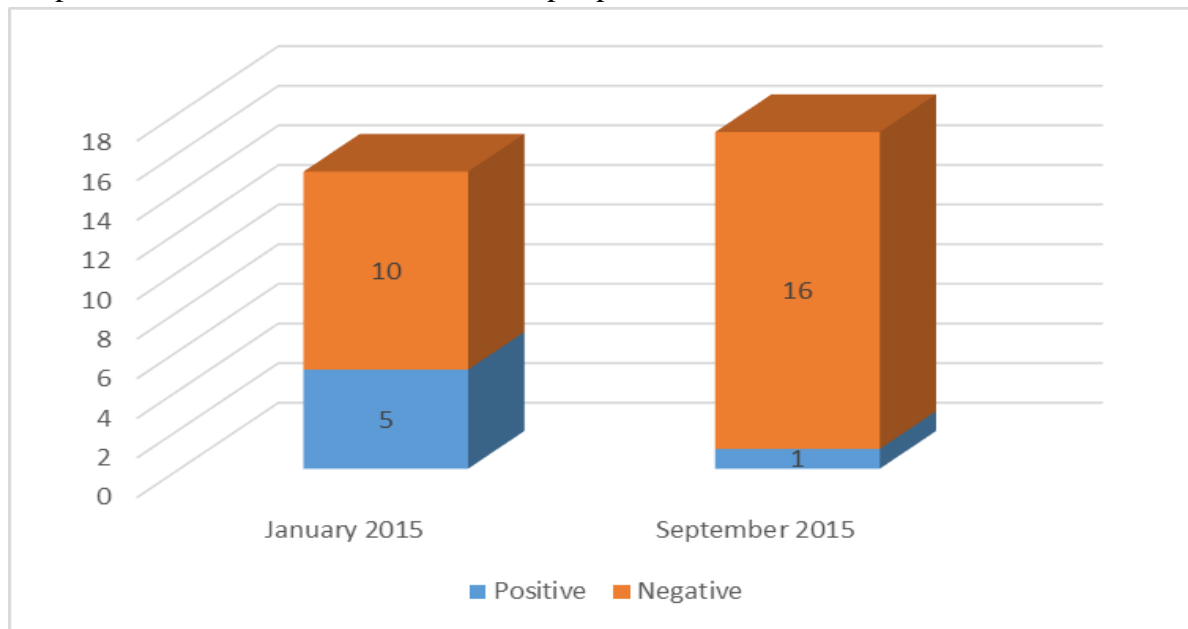


Regarding the different periods, the negative references to specific EU officials outnumber the positive ones in both periods, with the pre-electoral period of September appearing to be

more EU oriented and more negative in terms of the relevant references compared to January (Graph 4). Having all the aforementioned results in mind, we accept our second hypothesis on the “conflict” between the Greek and the European elites.

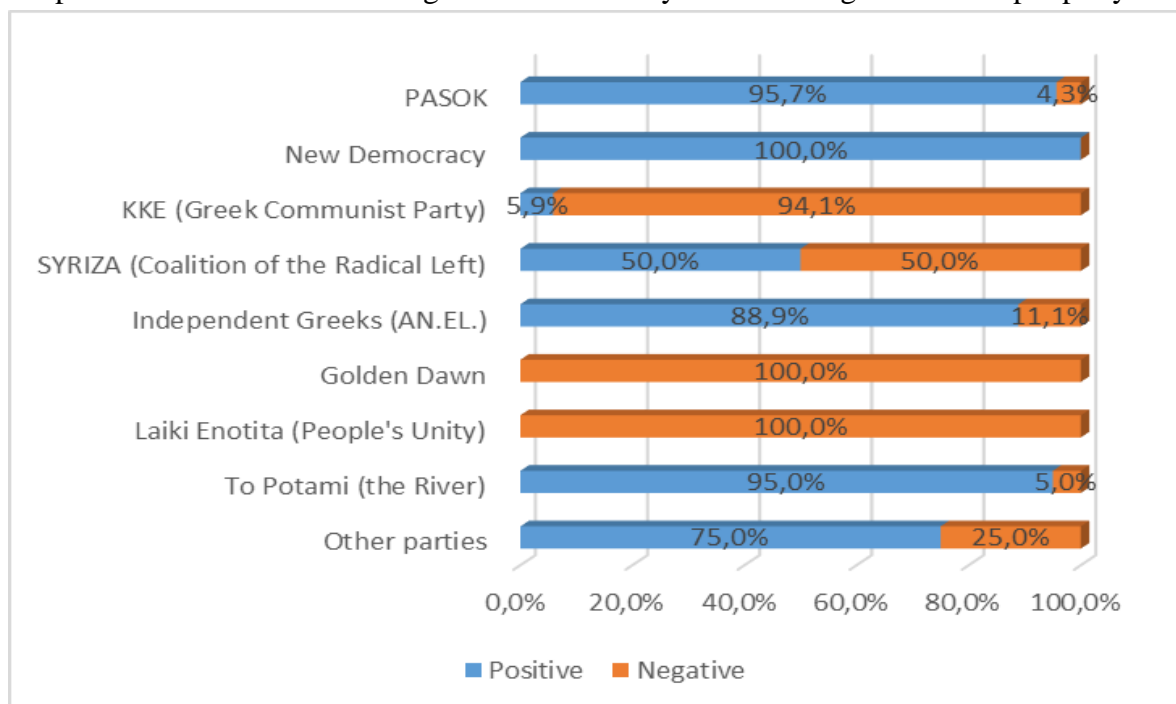
When it comes to the institutions/troika, the references are again predominantly negative, especially in the September pre-electoral period, when only one positive opinion is expressed on the specific “formation” (Graph 5).

Graph 5: References to Institutions/troika per period

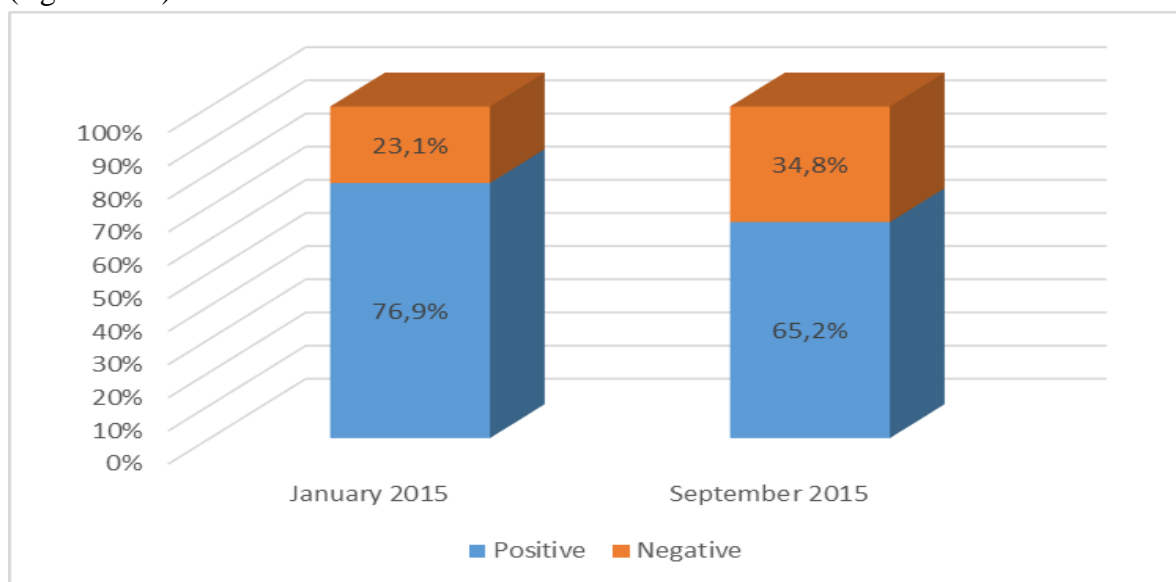


A significant part of the pre-electoral public dialogue focused on the coalition governments, in terms of their emergence and necessity. Based on the findings shown in Graphs 6 & 7, the majority of the political representatives appear to comment in a positive way on the emergence and necessity of coalition governments, a fact further affirmed by the high percentages of the relevant statements in both pre-electoral periods. Hence, we accept our third hypothesis.

Graph 6: References to the emergence and necessity of coalition governments per party

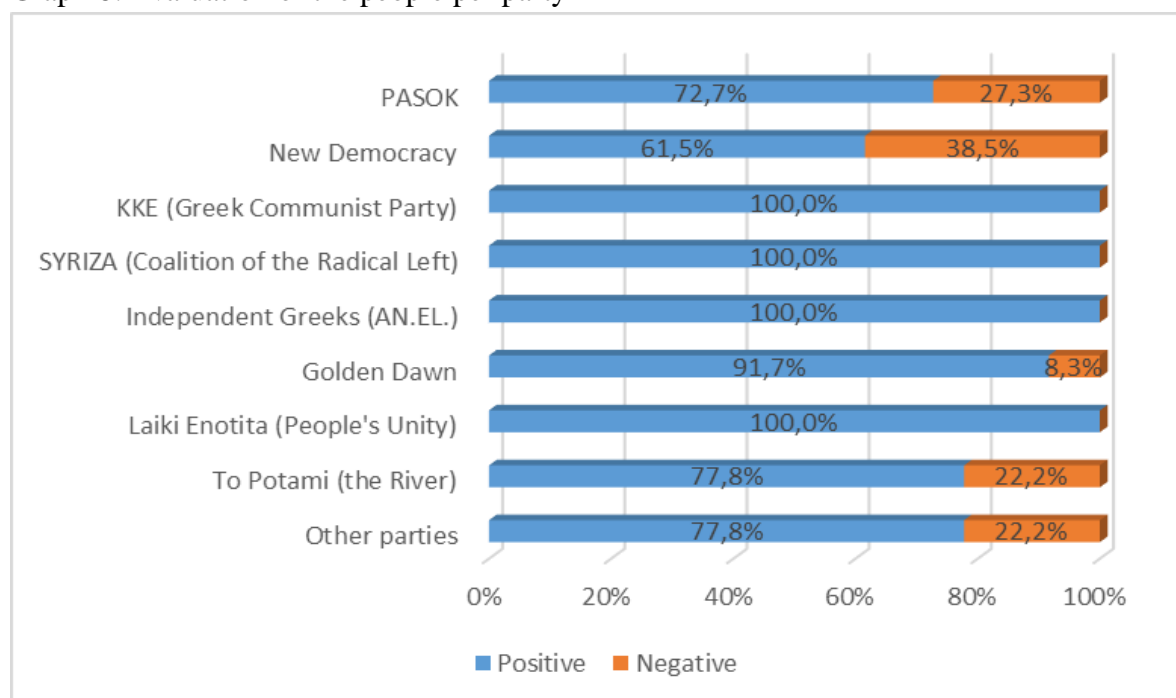


Graph 7: References to the emergence and necessity of coalition governments per period (sig.= 0.273)



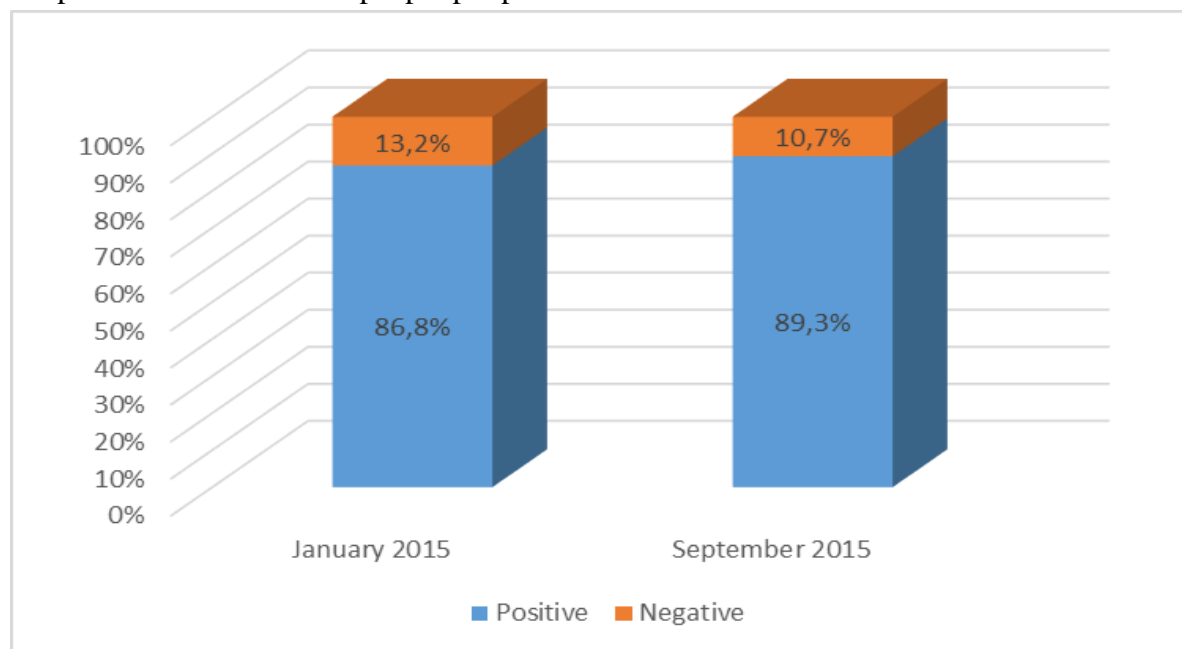
A specific discourse can be characterized as populist when it “satisfies” two basic conditions: the existence of both pro-people and anti-elite characteristics, considering both categories (people and elites) as homogeneous categories. In the current research there were quite a few instances when politicians adopted a generic evaluative approach of either or both of the basic pillars of the political and social system.

Graph 8: Evaluation of the people per party



As shown in Graph 8, all representatives adopt a positive stance towards the “people”, even in the cases of the parties that formed the up to early 2015 coalition governments (mostly New Democracy and PASOK) and faced the “menace” of the people through various manifestations (general strikes, rallies and demonstratins). The opposition parties’ representatives, with the exception of To Potami and Golden Dawn members, unanimously express themselves in a positive way for the “people”. This condition in the public dialogue is further confirmed by the very high percentages of positivism towards the people in both pre-electoral periods of our research (Graph 9).

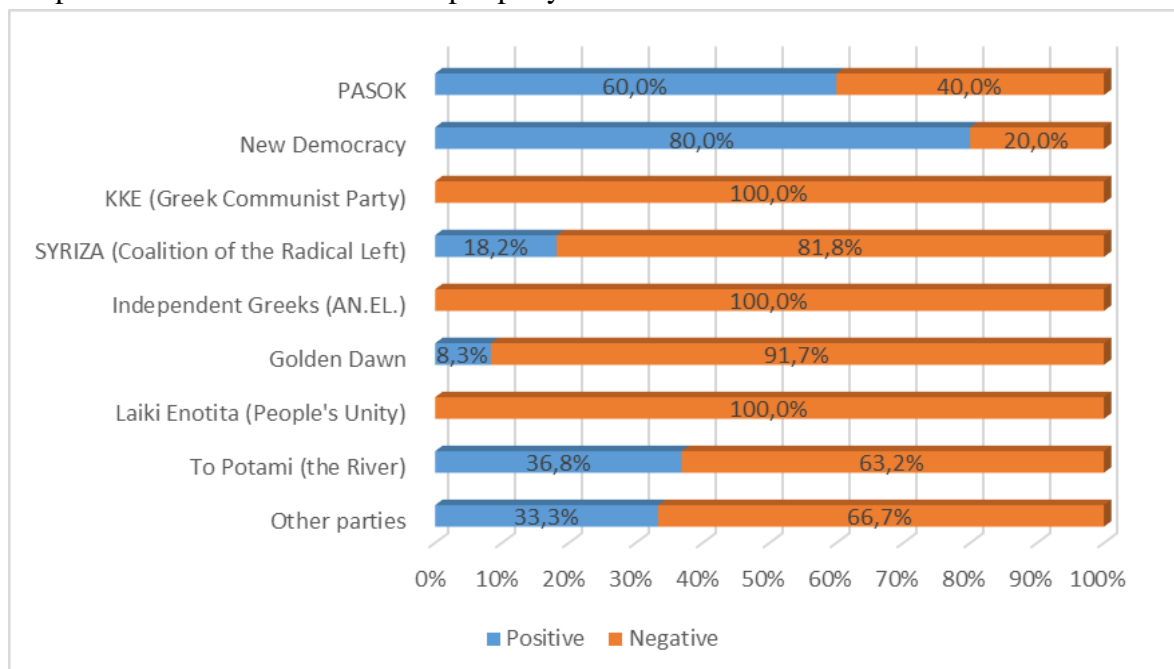
Graph 9: Evaluation of the people per period



Quite the opposite is the evaluation towards the elites³ on behalf of the party representatives. As regards the different parties, only the main pillars of the traditional bi-partizanism in Greece (PASOK and New Democracy) appear to approach in a rather positive way the elites as a whole (mainly the political and financial ones). At the same time, the opposition parties -especially KKE and Laiki Enotita- appear to adopt the most critic, in quantitative terms, discourse towards the elites. Even though ANEL has been serving as a governmental partner since January 2015, its members appear to adopt a totally anti-elitist discourse. This is related to the party's inherent anti-elitist discourse, as well as its criticism towards the European elites regarding the austerity measures imposed in Greece (Graph 10).

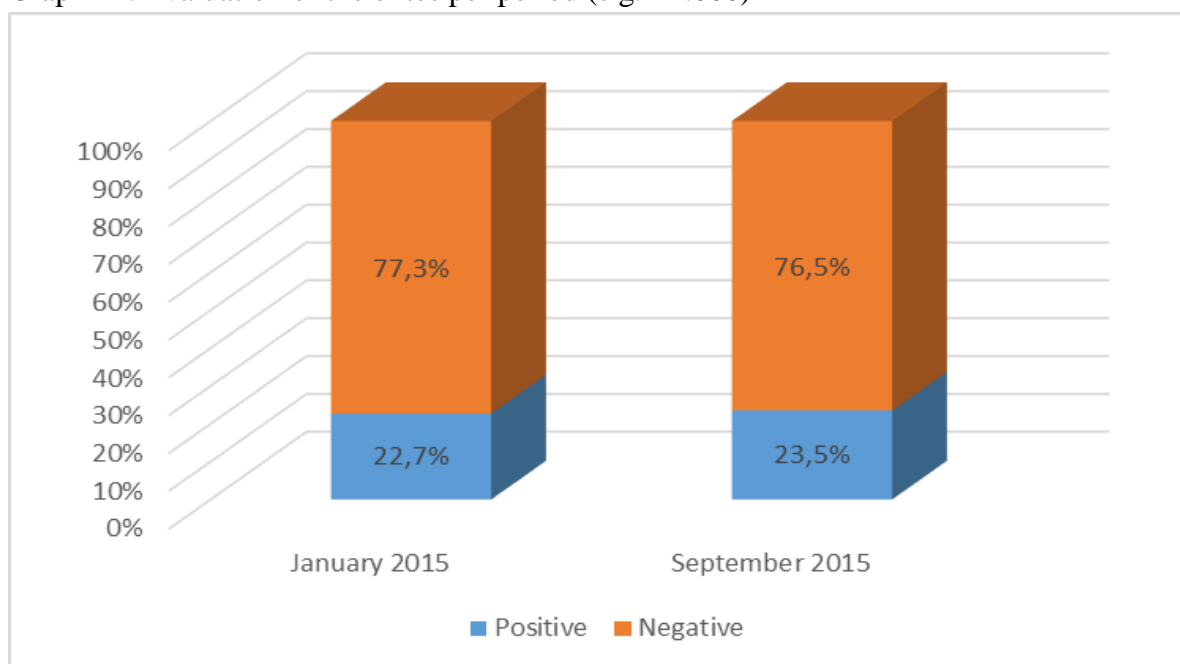
³ Reference to the elites is considered to be the one including either the whole party system or the inclusion of at least the majority of the different parties.

Graph 10: Evaluation of the elites per party



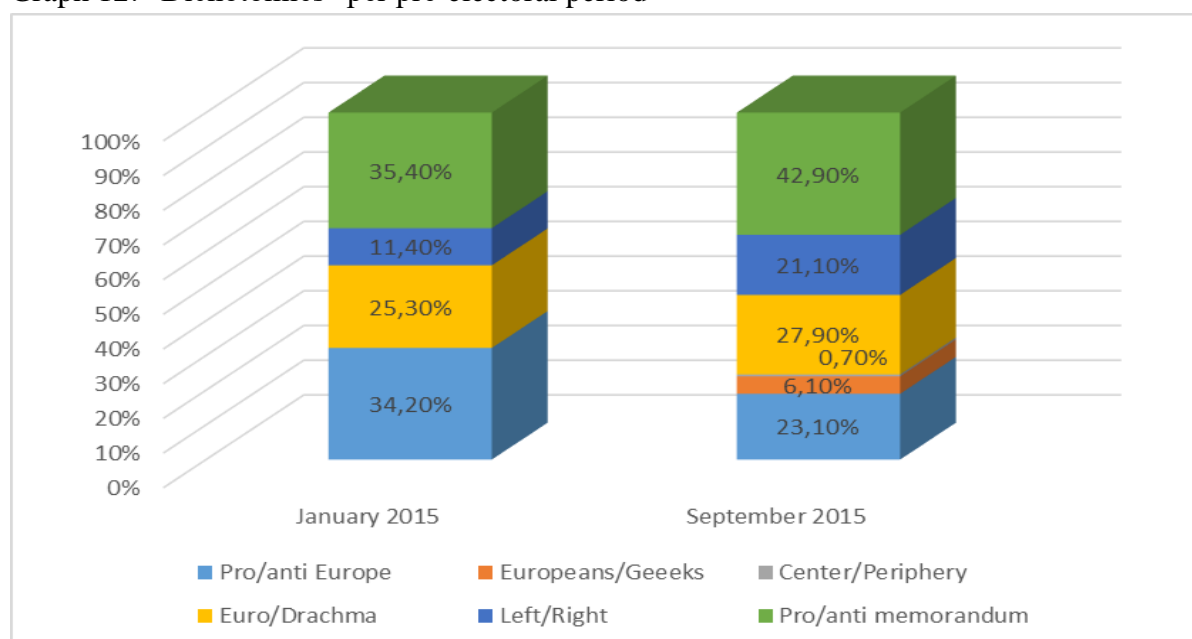
The anti-elitist discourse has prevailed in both pre-electoral periods in a rather intense way, as shown in Graph 11. Both the pro-people and anti-elitist discourse adopted by the vast majority of the party representatives appearing in talk shows during the January and September pre-electoral periods, lead us to the acceptance of our fourth and fifth hypotheses.

Graph 11: Evaluation of the elites per period (sig.= 1.000)



The presentation of the political, social and financial context in a Manichean- bisecting way is among the most important characteristics of populist discourse. As shown in Graph 12, the main “dichotomies” emerging from the political discourse we examined in both pre-electoral periods are the pro/anti memoranda rationale (35,4% and 42,9% during January and September respectively), followed by the pro/anti Europe dissection (34,2% in January and 23,1% in September) and the euro/drachma dichotomy (25,3% in January and 27,9% in September). It is quite evident that all these “dichotomies” emerge from the memoranda and the austerity policies implemented in Greece since 2010, as “antidote” to the financial deficiencies of the Greek economy.

Graph 12: “Dichotomies” per pre-electoral period



Based on the abovementioned results, we could argue that the “dichotomy rationale” is evident in a rather significant percentage of the political representatives during the two pre-electoral periods, hence we accept our sixth hypothesis.

As regards our additional research questions, hence the references of the politicians to the participation on behalf of the citizens in the political and social life through social movements, voting in general elections and the referendum, participation in party organs and parliamentary sessions and contribution to solidarity networks, we encountered a very

limited number of commentaries. It appears that even though the politicians talk as representatives of the people, they -at the same time- fail to introduce in the public discourse the active role the citizens themselves have to play within a democratic political system. There are only 12 references, during both pre-electoral periods, to the civic participation in the elections and the referendum, only three comments on the civic participation in party organs and parliamentary sessions, only 14 references to the citizens' participation in social movements and protests and only five references to bottom-up civic organized actions as solidarity networks and social convenience stores. Even though the references are limited, all of them are made in a positive rationale, signifying a strong pro-people approach of the political actors.

3. Conclusions

Based on the above presented results, one could argue that the fundamental transformation of the Greek political system during the “age of the memoranda” is not fully reflected on the pre-electoral discourse of the political representatives. Still, one can locate specific elements that show the either pro-elite or anti-elite and pro-people rationale of the political actors.

The peculiar relationship between the Greek and the European elites is confirmed by the negative references towards the EU as a whole and the institutions/“troika” especially during the September 2015 pre-electoral period, after the long negotiation procedure of the first SYRIZA government. This negativity demonstrates a certain rate of dissatisfaction on behalf of the Greek elites towards the European ones (Tsirbas and Sotiropoulos, 2015). This dissatisfaction is further re-assured by the negative -though rather limited- references in both pre-electoral periods to specific European officials, mostly the ones related to the Greek issue (Angela Merkel, Wolfgang Schauble etc.).

The enhanced role of coalition governments during crisis periods, as significant proof of an intra elites' consensus (Mills, 2000; Higley and Burton, 2006) is among the most characteristic elements of the discourse of the politicians in both the periods we examined. With a few exceptions (KKE, Golden Dawn and Laiki Enotita during the September pre-electoral period), the parties' representatives -independent from their ideological orientation- expressed themselves in a positive way on the emergence of and the need for coalition governments due to the crisis situation that Greece is undergoing.

In addition, on one hand the “appeal to the people” and on the other the criticism towards the elites (Mazzoleni, 2008, Aslanidis, 2016, Mouzelis, 1985; Raadt and Hollanders and Krouwel, 2004a; Raadt and Hollanders and Krouwel, 2004b, Lyrantzis, 1990), according to each party's ideological orientation, appears to be the case in the discourse of the majority of the politicians. Almost all representatives “praise” the people, commenting on the citizens in a positive way, whereas their attitude towards the elites appears to be almost the opposite. Under this rationale, the politicians seek to placate the people, who suffer under the austerity policies that keep on being implemented in Greece through the consecutive “memoranda”. Though their discourse can be initially characterized as populist, a more thorough examination is needed on the intensity and the specific characteristics of the populist aspects in the politicians' discourse.

Under the populism scope, a significant percentage of the politicians under scrutiny used a Manichean rationale (Lyrantzis, 1990) to describe several aspects of the difficult reality in Greece and in Europe so as to underline an “us vs. “them” dichotomy. The dualistic references through the creation of pro/anti Europe, pro/anti memorandum and Euro/Drachma cleavages serve the scopes of a populist discourse that claims to be the defender of the people's interests against the -European in most cases- elites (Aslanidis and Lefkofridi, 2013; Mudde, 2004).

A last -but not least- important aspect of the political discourse that signifies the relationship and simultaneously opposite character of the elite and populist theories is the co-existence in the political discourse of limited references to the “in crisis” decision making processes and the participation of the people in social and political processes. On one hand, the limited and negative references to procedures that undermine the democratic character of the political decision making (Lipset, 1963; Putnam, 1976), such as legal acts and very urgent procedures might imply, among others, a rather uncomfortable stance on behalf of the political elites, since several parties were “forced” to make use of them so as to quickly implement the prearranged -at European level- austerity policies. The “defensive” attitude of the elites is further evident by their negative comments regarding the elections and the referendum (mostly characterized as “non-necessary” and “obstacles” to the exit of Greece from the financial crisis), the fundamental expressions of the people’s participation in the democratic procedure. On the other hand, the limited, but positive reference of the politicians to the people’s -need for- participation in the public life may act as the counterweight to the degradation of the democratic procedures imposed by the function of the political system within the condition of the crisis. Hence, the elite representatives discredit on one hand the democratic procedures, but “praise” on the other the participation of the citizens in the same procedures.

The current research may be seen as a first step towards the examination of the interweaving of elite theories and populism in the political discourse. The conditions formed in the Greek political scene with the emergence of the financial crisis and the consecutive memoranda and austerity measures that they bring along, have formed rather “suffocating” conditions for the whole range of the political spectrum exposing its weaknesses. Within this context, at a first glance, the Greek political system functions through limited democracy, but talks through plenty of populism. Does this contradiction signify the consolidation of a new era?

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From Critical Social Psychology to Critical Community Psychology:

From one crisis to another ?

Artemis Christinaki ¹

Abstract

Despite the growing literature in critical community psychology (CCP), little is known about its formation as a sub-discipline of psychology. This paper investigates the emergence and origins of CCP (Kagan et al., 2011), by taking into consideration the dialectic relationship between theoretical forces of critical social psychology (CSP) community psychology (CP) and sociopolitical, radical movements. Starting from the crisis in social psychology (SP), it is noted how the debates around epistemology and methodology during the crisis (Parker, 2007), lead to the emergence of CSP. CSP's critical theory became fruitful in the development of CP's critical orientation. CSP's critical character has been adopted by CP. The multidisciplinary field of CP is approached as a move from CSP's critical theory to community *praxis*². However, it is argued that CP should be simultaneously conceptualized as being in a perceptual crisis which led to the formation of CCP's area. The radical departure from CP to CCP is discussed firstly on CP's failure to articulate a collective transformative community *praxis* (Thompson, 2005) and secondly on some community

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² The term *praxis* is used as Ignacio Martín-Baró introduced it, a new way of thinking that conceives of truth as a task hand, an account of what needs to be done (Martín-Baró, 1994, p.6)

psychologists' need to contrast with acritical and clinically oriented North American version of CP in UK (Fryer and Laing, 2008), inspired by the theory of CSP's and liberation's psychology theory and *praxis* (Martín-Baró, 1994). Therefore, CCP's development is concluded firstly as another critical counter-paradigm aiming to redress the relationship between critical social theory and critical community *praxis*. Secondly, CCP's emergence is examined also as a possible outcome of the various crises of the sub-disciplines of CSP and CP.

Keywords: Critical Community Psychology, Community Psychology, crisis, critical theory, praxis

Introduction

Psychology as an autonomous discipline since 19th century has an ambiguous relationship with its history. Although many attempts have been made to form a specific narrative about the history of psychology (Mandler, 2011), it is evident that most of them tend to ignore not only the historicity of psychology's subject matter, but also the historicity of the peculiar way that psychology was established as a distinct discipline. The same can be applied to the history of social psychology (SP). According to the mainstream tradition, SP is often treated as the outcome of an accumulative process of knowledge production. Nevertheless, many theorists and historians (Danziger, 1994; Rose, 1996;) have argued that things are not as simple as that. The birth of SP has been accompanied by fierce debates with regard to the nature of the individual, the relationship between individual and society, distinct epistemological and methodological approaches to knowledge production, as well as the political nature of the field. Thus, instead of uncritically endorsing histories that provide legitimacy and scientific status to the field of mainstream SP, this article will explore both a critical episode in its history and the reasons that led to these debates (Samelson, 2000, p.500).

The history of SP cannot be approached without understanding the crisis of the North-American strand of the discipline which characterized the 1970s and the upcoming stream of critical social psychology (CSP). The crisis was a phenomenon of intense questioning and disfavor of the experimental, a-political, value-free and neutral position of SP by that time (Greenwood, 2004; 2003). As it will be depicted the emergence of community psychology (CP) is inherently related with the crisis of

SP, since community psychologists tried to provide *praxis* out of the deadlock of mainstream SP and the critical theory, produced by the stream of CSP. Proponents of CSP were and still are usually under the fire of criticism for providing only a critique of mainstream SP, without proposing any solution to the practical ‘real life’ problems. From this point of view-which is not completely false- CP can be ‘visualized’ as a transient point from critical theory to community *praxis*, having adjusted the critical character of CSP in its community context.

However, it is argued that despite CP’s major influence in changing how central features of psychology’s theories and practice are perceived, both in SP and CSP, CP failed to address the issues that made its birth possible. In this way, CP could be perceived as in a perpetual crisis. Some researchers claim that CP has only achieved a “partial paradigm shift” insofar as community psychologists have focused only on ameliorative change in a very local level. Another line of criticism is that the field has not addressed adequately the concerns of its more marginalized constituents (Cosgrove and McHugh, 2000). Stemming from this, the emergence of critical community psychology (CCP) is approached as another attempt to face the challenges of psychology’s history from the beginning and it is suggested that CCP can be conceptualized as a further step to community *praxis*.

Therefore, the purpose of the present study is to examine the emergence of CCP. It aims to critically explore how a complex, dialectic relationship between intra-disciplinary debates and crises in the fields of SP, CSP, CP and external historical, socio-political processes, cultivated a theoretical framework, critical enough, to practically tackle the issues that previous streams failed to approach and challenge. Tracing how the crisis in SP has played a significant role in the emergence of CSP’s

critical theory which became fruitful for CP's critical orientation, CCP is discussed as another critical-practical paradigm and/or an outcome of various crises of various sub-disciplines of psychology (SP, SCP, CP) starting even from the detachment of psychology from philosophy and psychology's formation as an autonomous discipline.

The crisis in social psychology: From social to critical social psychology

What preceded the crisis – The birth of mainstream social psychology

It is well known that the emancipation of psychology and its detachment from philosophy gradually took place during the second half of the 19th century. The main argument was that “the issues in psychological research are not reducible to philosophical ones” (Furedy, 1988, p.71). The formation of psychology as an autonomous discipline is therefore linked to the creation of Wilhelm Wundt's experimental laboratory in Leipzig in 1879 (Dafermos and Marvakis, 2006). As Parker argues (2015, p.3) “the very earliest studies of the present-day discipline of ‘psychology’ were Wundt's introspective studies in which the researcher and the subject swapped places”. The separation between the ‘experimenter’ and the ‘subject’ was established at the end of the 19th century – in the beginning of 20th century, and was intensified as this early psychology was transplanted into the U.S.A.

While the First World War was taking place, the logic of psychometric evaluation had been established and there were two theoretical tendencies inside the field, behaviorism in America and gestalt theory in Austria and Germany (Marvakis and Mentinis, 2011, p.53). Later, with the establishment of totalitarian regimes in Europe, social psychologists migrated to the U.S.A. The main outcome of this

transition was the transformation of Gestalt psychology to cognitive psychology under the influence of the information revolution.

The SP as we know it, an experimental sub-discipline of psychology, was born during the second half of the 20th century, in North America, in the aftermath of the Second World War. The last paved the way for a series of surveys involving the adaptation and the participation of soldiers in conditions of war and its consequences on techniques that had to do with the measurement of attitudes, the prediction of behaviour and the conduct of psychological war (Marvakis and Mentinis, 2011, p.53; Rose, 1999, p.15).

Many studies, during the Second World War in the areas mentioned above, have been funded from agencies of the American army and other governmental institutions in order to develop through experimental research, knowledge that could be used for manipulation and control objectives (Marvakis and Mentinis, 2011). The fact that psychologists had been recruited as managers in the US military, which was carrying out experimental research, is inextricably related with the establishment of positivism and experimentation as the main theoretical, research paradigms and the institutional recognition of psychology (Dafermos and Marvakis, 2013). They helped epistemologically and methodologically the development of the field into a well-promising objective science. Experiment was not just another methodology. It was and still remains the “hidden anthropology” of the whole field (Holzkamp, 1972).

In this way, there were two perspectives inside the field of SP, the psychological and the sociological SP, with leading representatives Floyd Henry Allport and George Herbert Mead, respectively. Given the brevity of the paper the focus will be drawn only to the psychological perspective of SP. The psychological

SP, which led and finally formed what is now called ‘mainstream social psychology’, included many characteristics from Cartesian philosophy, such as the adoption of certain forms of dualism (mind/body, individual/society, subject/object, organism/environment, knowledge/action). Therefore, a great deal of the individualist character of SP can be attributed to this inheritance (Good, 2000). Individualism, in general played a pernicious role in the formation of the field of SP. It was a tendency that actually cut off SP from its core, society and culture, limiting the field in the research, measurement and experimentation of the individual behavior.

Analytically, in contrast with G. H. Mead who emphasized the social dimension of the field, F. H. Allport argued that “the greatest incubus” in SP is the emphasis upon the group. As noted by Allport (1919, p.298-299) “Psychology either individual or social must focus on the neuro-motor system of the individual. We must repeat that the word ‘social’ has no significance except as denoting a certain type of environment and the part played by it in the post-natal behavior of the organism”.

All things considered, SP as a scientific field was a “product” of North America until 20th century. The individualistic SP has been established, according to Greenwood, (2004; 2003) until the decades of 1960 and 1970, where many academics raised their critical voice, critiquing the way SP has been formed, as an individualistic, positivist and experimental field in social sciences. The history of SP could not be approached without taking into consideration the crisis of the North-American strand of the discipline which characterized the 1970s. In this way a brief modern exploration of the crisis is followed as to understand both what constituted the crisis and therefore how CSP emerged as a stream. Crisis in SP has played a significant role in the emergence of CSP and the theoretical tenets of it. Hence, it is

fruitful to consider what constituted the development of CSP, as CSP's critical theory offered one the one hand the critical theoretical, epistemological and methodological background to CP, as the transient point from critical theory to community *praxis* and on the other hand its critical character to both CP and CCP.

Crisis in social psychology

According to Parker (1989, p.11), the crisis in SP concerns a 'paradigm, political and conceptual crisis'. Firstly, if the notion of 'paradigm' is considered as a framework of assumptions, then SP is seen since 1970s as being governed by the notion that individual behavior can be understood by laboratory and experimental methodologies. The paradigm crisis includes what has been termed the "crisis in theoretical and epistemological foundations of social psychology" (Dafermos, 2015, p.396). SP promoted itself as an advanced paradigm which focuses on accounts as it assimilates facts by accommodating itself to the real world. What counts for the traditional paradigm, is the image of progress and perception. Progress helps us work along with the *paradigm story* while perception guides us through analyses the problems of the everyday life. However, the problem is that SP involves neither progress nor perception. In this way, it has been criticized for its artificial nature (Parker, 1989, p.11). Experiments are not sufficient in order to study complex social phenomena. Actually, laboratory experiments decontextualize reality and thus it is impossible for social psychology to deepen its analysis in everyday social problems (Dafermos, 2015, p.396).

Secondly, the political crisis reflects the economic and political crises in the culture in which it arose. It flows from the cultural context of the paradigm crisis which includes "tensions between American and European social psychology that

have been organized by the distribution of economic power in the world, which is mediated by the relationships between America and Europe (Dafermos, 2015, p.398). Power and ideology accompanied the development of the discipline. Thus, science attained a superior status, as a result of political and institutional pressures. Therefore, what is needed is to explore, reveal and contest the power relationships that formed the discipline. To do this it is necessary to contest the position of SP because it was established as an experimental-laboratory science, which supported a particular image of the human subject, as mentioned earlier (Parker, 1989, p.29).

Lastly, conceptual-crisis discusses how SP incorporated the notion of modernity. The latter prioritizes individuals, human sciences and the notion of progress. Nevertheless, modernity is contradictory. On the one hand it proposes that scientific truth is the solution to humans' problems, on the other hand attributes responsibility to make meaning to individuals (Parker, 1989, p.48). In any case, Silverman argues that SP's failure to offer a specific direction to people's daily problems can be attributed to its narrow vision that social reality can be studied experimentally.

In this way the paradigm, political and conceptual crises adumbrated SP's permanent crisis as the field is racked by a number of intersecting crises as it will be shown. By the decades of 1960 and 1970 while the crisis was taking place, many academics and people were expressing their dissatisfaction with SP, as it failed to provide answers to the social questions of that time, for instance, the rebelliousness of American youth, protests against the Vietnam War, Black and Women's movement etc.(Dafermos, 2015, p.397). Therefore the crisis in SP has been accompanied by broader social and political changes which raised questions in relation to the field's

relationship with the social and political reality. The need to create a theory critical enough to frame and relate people's daily social and political problems was interwoven in the crisis of SP and the acute emergence of CSP.

By that time the antipsychiatry movement (represented by the following psychiatrists: R.D. Laing (Laing, 1990), D. Cooper (Cooper, 1967), T.S. Szasz (Szasz, 1984) was questioning the individualistic conceptions of "madness". The social and political movements such as May 68 (Jackson, Milne and Williams, 2011), gay liberation, feminist, civil rights, anti-war movement were emphasizing in their need of another kind/version of SP. An outstanding example was the student movement in the Free University of Berlin (FUB), which played a pivotal role in the emergence of critical psychology and the foundation of the first Critical University in July of 1967.

Thus, CSP's emergence took place under a highly politicized era. In this way an analysis of what constituted CSP's theoretical background is followed in order to consider how it influenced the CP's theoretical formation and critical orientation.

The formation of critical social psychology

From the crisis of SP different schools and paradigms emerged. For instance, the theories of social cognition (Higgins, 2000), social identity (Hogg and Abrams, 1988) and social representation (Moscovici, 1963) belong to those schools/paradigms that emerged, especially as a response to SP's crisis. However, the focus will be drawn on CSP as an additional stream which developed in response to the crisis and had a major influence in CP's critical character.

According to Hepburn (2003) Marxist, feminist, psychoanalytic and post-structuralist theory contributed to the emergence of CSP. Although these theories were external to the central dogmas of the field and they existed before the crisis of SP, they offered a broader theoretical, epistemological and methodological base to adumbrate CSP's formation as a critical social science (Hepburn, 2003). Therefore, their brief exploration is necessary as to understand how CSP has been developed. Also, CSP's critical theory and formation by those or some of those theories influenced CP's emergence, as the transient point from critical theory to community *praxis*.

Critical theory as a reinvention of Marx's critical method, flourished in the 1930s inside the Frankfurt School. It was concerned with the elimination of oppression and the promotion of social justice and signified a departure from traditional social science theory which supported the status quo (Davidson et al., 2006; Hepburn, 2003). The epistemic concern of critical theory, the need to create a theory to understand how society operates and how it can be changed, espoused a dialectic view of change, which maintained that people and social structures are reciprocally determined (Davidson et al., 2006, p.36).

As Parker suggests, from a Marxist perspective, psychology can be seen as an ideology which prevents people from seeing the oppression of class position by focusing on themselves and other individuals as the source of any problems that arise. "The elements of alienation and reification that characterize capitalism are condensed in the discipline of psychology and the task of critical psychology is to expose and combat the witting and unwitting abuse of power that psychologists enjoy, including the analysis of discourse in our writing and unwriting" (Hepburn, 2003, p.47). The

inclusion of discourse analysis reflects the utter political aim, the “*practical deconstruction*” of hegemonic discourses, constructed by psychology. It also reflects on Foucault’s conceptualization of power as embedded in discourses which have an essential ‘action orientation’ as a social practice (Heritage, 1984). The notion of *deconstruction* characterizes not only post structuralist theory but Marxist and feminist theory as well. It could be argued that it became the driving force in CSP’s formation.

Moreover, for those who followed Marx’s materialist approach, psychoanalysis offered a ‘theory of the subject’ in CSP that as Parker mentioned, filled the gaps left by Marxist theory (Hepburn, 2003, p.47). At the same time it is accurate to criticize psychoanalysis for reducing the effects of the economic contradictions of capitalism to individual disposition (Parker, 1997). In addition to the latter, Billig (1976) agrees that psychoanalytic explanation reduces social conflict to inner unconscious conflict.

However, according to Parker (1997), psychoanalysis is the ‘repressed other’ of the positivist experimental aspects of mainstream social psychology. In this way, although these ‘beliefs’ are keeping people chained to their oppression, psychoanalysis enhances the field of CSP (Parker, 1997) by a) interpreting ideology and revealing its power, focusing on people’s unconscious processes, b) providing an account of the subject’s continuity, c) recognizing peoples’ fundamental irrationality (Hollway, 1984, p.205).

Furthermore, around 1970s, while the second feminist wave was taking place, feminists questioning women’s inferiority constructed by mainstream SP, challenged the ‘objectivity and neutrality’ of the field. One way for challenging the stereotypical

formulation of women's inferiority was to examine how-taken-for-granted assumptions about gender were built into people's everyday descriptions. According to Kitzinger (1989) what is needed is to *deconstruct* our everyday expectations about gender and social organization. In accordance with Marxist theory, feminist theory recognized as an acute priority the *deconstruction* of the mainstream discourses because it could disrupt assumptions in the practical politics of everyday life and produce a politics of change (Butler, 1997). Hence, *deconstruction* became an ultimate political aim and tool in the field of CSP in general, and in the field of critical social feminist psychology in particular. For instance, Judith Butler's (1993, p.21-50) conceptualization of gender as a 'discursive practice' and gender identity as a 'performative' accomplishment, is such an example, influenced by John Austin's (1962) speech act theory.

Post-structuralist thought was centered also by the notion of *deconstruction*. Derrida's work on *deconstruction* can be placed in the context of Saussure's structural 'semiology' which challenges the idea that language has to reflect the realities that the rational mind observes. He argues that any system of thought has some kind of center or *logos* – for Marx, social/ production relations, for Freud, the unconscious, for structuralism, the structure of language, and so on. So, in order to reify a meaning, to posit it as some superior representation of reality through the logic and structure of metaphysics, the different concepts that help shape its meaning are going to be subordinated. By subordinating certain concepts, some originary meaning of logos appears (Hepburn, 2003, p.206; Pada, 2007). Derrida depicts that term could not have a neutral meaning. In this way, using *deconstruction* in CSP does not imply that it is just a method of identifying hierarchies and overturning them. In contrast, it implies

that the focus on language in the broader field, subverts claims to truth and realism into an ethical and political move – CSP’s political move (Hepburn, 2003, p.210).

Having given a description to a certain extent of CSP’s formation, it is necessary to reflect on the fire of criticism that CSP has received for only critiquing the mainstream of SP without proposing any solution to the problems faced in the post-modern society. Although the last is not completely false, critical social psychologists have argued that deconstructing for example the hegemonic discourses, is a form of active resistance. While CSP’s deconstructing orientation and discourse analytic position, indeed is and can be conceptualized as an *action*, the present study conceptualizes practice as Ignacio Martín-Baró introduced *praxis*, as a collective engagement in social action where we transform ourselves as well as transforming our reality. Standing by the oppressed, working with the oppressed we involve ourselves in a new *praxis*, an activity of transforming reality. The de-ideologization of the everyday experience, as knowledge is socially constructed - alike CSP, is an urgent task, nevertheless, is conceptualized as a step towards *praxis* (Martín-Baró, 1994, p.28, 30-31). Therefore, understanding *praxis* as an action which helps in practice the socially disadvantaged groups, it can be claimed that CSP has partially succeeded in providing a solution in the daily practical problems of people.

CSP’s stance in terms of practice and *action* may be considered as another discipline crisis – CSP’s crisis, which contributed to the emergence of CP. However, it is indisputable that CSP’s development by Marxist, psychoanalytic, feminist and post structuralist theories contributed to the formation of CP’s critical character. CP embraced CSP’s theoretical, epistemological and methodological background but also introduced the psychosocial term in the phenomena’s analysis, aiming to provide a

critical theory which will be strong enough on the one hand to deconstruct the hegemonic discourses, which detached completely the individual from its social environment and on the other hand to provide a *praxis* that can transform social reality.

Community psychology: From social to communal

CSP was very important for the transformation of CP into a critical discipline. Since 1960s community psychologists have been affected from the debates in SP around *individualism*, *positivism* and *apolitical thought*. CSP's stance to those debates offered the fruitful framework in CP's theoretical, epistemological and methodological formation. However, what must be taken into consideration is that there is neither chronological order nor a specific causal relationship between CSP and CP. Indeed, it could be claimed that CP existed before CSP.

Another crucial point is that CP highlights the move from CSP's critical theory to community *praxis*. Moreover, the emergence of CP as a critical emancipatory project which provided a community *praxis* out of the deadlock of both mainstream asocial SP's and CSP's theory, does not mean either the end of CSP or the abandonment by mainstream psychology of a more traditional or conservative approach in dealing with community issues. Nevertheless, it can be argued that indeed CSP is the key incident, the transient point from CSP's critical thought to CP's '*praxis*'. Thus, an exploration of how CSP's stance around the notion of individualism, its turn to more qualitative methodologies and its move to more political action theories influenced the formation of CP, is discussed.

Most of the theories in mainstream SP focus on the individual and especially in their behavior. Therefore they try to explain his/her behavior based on strategies of self-monitoring and modification in various forms of psychotherapy. CSP, critiquing the individualistic position of SP, argued that people cannot be understood apart from their context. By the time that the crisis was taking place, the conception of “blaming the victim” (Ryan, 1971, p.143) was widespread. The individual was presented as the only responsible for the causes of and solutions to any problem. In this way CP, instead of focusing on individual characteristics, adopted the theoretical framework of CSP and formed as a study of people in context (Rappaport, 1977). She established a more holistic, ecological analysis of the person, with multiple social systems ranging from micro to macro sociopolitical structures (Prilleltensky and Nelson, 2010, p.5), emphasizing on the strengths of people and communities.

Kagan et al. (2011, p.18) argue that people were seen as disconnected atoms in the field of SP. However after the crisis in SP, the individual-centered position had changed. CSP’s paradigms focusing on the interrelation between the individual and the society, tried to pave the way for a more holistic theory of the subject. Seeing human beings as becoming who and what they are, through interacting in a social organized world, influenced CP to oppose a reductionist approach of both individuals and social phenomena. Rejecting individualism as an approach, CP aimed to understand “the psychological as both emerging from and dependent on social relations, not only interpersonal ones but also collective and social systemic relations” (Kagan et al., 2011, p.19-20). Taking everything into consideration, it is evident that CSP’s opposition to individualistic thought enriched CP’s theoretical framework with a theory of people in context. At this point, the epistemological and methodological

background of CP is going to be argued, on the basis of critical social feminist psychology (CSFP). As feminists provided the epistemology and the methodology in the formation of CSP, so they did in CP respectively.

In the beginning, CP was striving to establish its credibility by conducting post-positivist research, emphasizing on objectivity and hypothesis testing (Nelson and Evans, 2014, p.159). However, nowadays, qualitative methods are preferred and there are reasons why they became so fruitful for many CP studies (Montero, 2011). Qualitative methodologies generally flourished under the feminist paradigm during the crisis in SP. Feminist researchers claimed many of the classic psychological theories emerged from studies focused only on men and their results generalized in the whole population (Wilkinson, 2003). In this way they questioned the objectivity of the field by saying that the way women are being evaluated is not valid (Rosser, 1992, p.538).

While the second feminist wave was taking place, feminists (especially Marxist and socialist) were viewing all knowledge as socially constructed rejecting, the value free position in knowledge, positivism and individualism. In this way, CP's social constructionist epistemological framework has been adopted in part by feminist research, which actually means that psychologists in order to understand people's experience, need to consider first the language they use and the conditions which permit and shape their experiences (Cosgrove and McHugh, 2000). Therefore, to investigate these conditions, qualitative methodologies are needed (Henwood and Pidgeon, 1995). The latter became valuable for feminist research and CP, as mainstream SP's research methods were decontextualizing the individual from its environment by examining it in laboratories. According to Orford (2008, p.11),

person and context are intertwined inseparably. Therefore, the fact that CP emphasized the importance of everyday life, made necessary the move towards more qualitative ways of research (Bergold, 2000, p.3).

Moreover, feminist research examining the relationship between social injustice and emotional distress, recognized the need for social change, arguing that theory is political and action has theoretical implications (Reinharz, 1992). In this way, they emphasized upon action oriented research agendas which became a distinctively driving force for CP. CP embraced not only action oriented research but also participatory action research (P.A.R.), (Cosgrove and McHugh, 2000, p.819). At the same time, feminist research was interested in giving voice to women's experiences. In Carol Gilligan's (1982) book, for instance, 'In a Different Voice', to give voice is conceptualized as physical proximity, dialogue and interaction. The discipline of CP is based on that notion, that giving voice to marginalized people is the first step of their empowerment³ which can be implemented only by conducting P.A.R. (Cosgrove and McHugh, 2000, p.821). Not to mention that the notion of empowerment is congruent with the feminist agenda as well (see, for example, Worell and Remer, 2002).

Furthermore, both feminists and community psychologists acknowledge that reflexivity should be an integral part of the research process (Cosgrove and McHugh, 2000, p.828). Giving voice to the oppressed or at least listening to their voice presupposes that researchers question who they are in relation to those they study (Reinharz, 1992, p.15). Therefore, they should ask questions to guide the reflexive

³ As Rappaport (1987, p.142) noted empowerment 'suggests a belief in the power of people to be both masters of their own fate and involved in the life of their several communities'.

process and constitute an ambivalent, relationship between the researcher and the researched.

All things considered, the conduct of interviews and observation was the first step in the formation of qualitative methodology. For feminists, interview and observation, were the tools to reveal the power relationships that were experienced as ‘subjects’ in the scientific research (Shape and Jefferson, 1990). CP used this tool to understand in depth people’s lived experiences. Specifically, observation helped them to study people in their context (Prilleltensky and Nelson, 2010). In addition, feminists were struggling to value women’s experience in relation to their own terms. In this way, they created feminist ethnomethodology because it focused on the construction of gender, sexual harassment, prostitution and mental health (Kitzinger, 2000). At the same time, CP embraced ethnographic research to understand better the culture of a setting of people (Prilleltensky and Nelson, 2010, p.288).

Additionally, a notable contribution of the feminist research in CP was the Discourse Analysis (DA). Although there are different approaches to discourse analysis (Fairclough, 1995; Van Dijk, 2001; Wetherell and Potter, 2007), there is a common emphasis on the study and function of language in order to identify dominant discourses. The turn to post structuralism enhanced the theories around *discourse* with a very useful methodological and political tool, deconstruction (Cosgrove and McHugh, 2000). For example in CP, the psychiatric professionals’ medical discourse is considered as dominant. Therefore, it has to be deconstructed either by conducting DA on medical discourse or by implementing DA in the stories of survivors of ‘mental illnesses’. Feminist Critical Discourse Analysis (FCDA),

alike, focused on the ways in which power is produced and transformed in engendering discursive practices (Krolokke and Sorensen, 2006).

Feminist thought either from within or outside psychology has been one of the major theoretical, epistemological and methodological stimuli in the formation of CSP which led towards the development of a gender sensitive CP. Nowadays CP is concerned with women's empowerment, deconstructing the societal structures which distress women and other marginalized groups, and questioning gendered related bias (Bond and Mulvey, 2000, p.600).

Additionally, CSP led to a shift from a-political theory to a political contextualization of knowledge. It has already been argued that SP persuades people that a problem can be reduced to the way someone feels or thinks. This prevalent idea distracts people from conceptualizing themselves as agents of political action and change. Therefore, CSP focuses on the social and political aspect of phenomena, advocating the establishment of a real social science which will question the dominant view and will lead to social change (Parker, 2007). The fact that CSP emerged under an intense political period, as it has been depicted, played a major role in the position of CSP as a real social science which takes into consideration the social and political dimension of reality and questions the individualistic, a-social, a-political and value free position of social psychology.

Under these circumstances, CP was born correspondingly in context of social changes which took place during the 1960s in the U.S.A., as an attempt to move from the CSP's politicalized theory to more political contextualized community *praxis*. CP adopted the utter political aim of '*social change*' from CSP and position itself as an active agent. Prilleltensky and Nelson (2010, p.39) suggest that "community

psychology needs to adopt the value of social justice as a major principle, to become more *political*, engage in solidarity with oppressed groups and social change movements”.

In this way CP tried to offer a practical orientation of CSP’s theory aiming for both ameliorative and transformative changes. As a theoretical yet political action-oriented framework, it was seeking to uncover the hidden social and power relationships that kept people oppressed. CP argued that social change can occur in different ecological levels, personal, relational and collective where P.A.R. is conducted in order to achieve change (Burton and Kagan, 2015). Thus, the personal level of change aims to raise the awareness of the disadvantaged people with regard to their unjust oppression, a process which has been called by Paulo Freire as ‘conscientization’ (Freire, 2000). At the relational level, the aim is to succeed interaction with others, through supportive relations in order to regain power. In the collective level, social movements or self-help groups can teach solidarity, which is the basis for resistance, social action and change (Moane, 2003).

From Community to Critical Community Psychology

CP has emerged in a variety of places, under multiple influences and different circumstances. However, each time it has emerged as a counter-paradigm and practice to the traditional functioning of psychology (Fryer and Fagan, 2003, p.90). CP was born in North America (U.S.A. and Canada). Swampscott’s conference in 1965 in Boston was the key event in the acknowledgement of CP as a distinct discipline. The aim of this conference was to discuss the training of psychologists in new roles in community based mental health services (Rickel, 1987, p.511). However, the conference took a different direction calling for a change in the way that mental health

services were perceived. The focus, according to plenty of psychologists that took part in the conference, should be drawn on prevention, service development and social action (Kagan et al., 2011, p.24). This particular focus became the driving force in the establishment of CP as a separate division within American Psychological Association (APA), which became the quasi autonomous Society for Community Research and Action in 1989.

CP emerged later in Australia and in New Zealand concentrated on the ideas of social responsibility, social justice, culture and ethnic issues, taking seriously into consideration the oppression of the respective indigenous populations (see Gridley and Breen, 2007, p.119-139; Robertson and Masters-Awatere, 2007, p.140-163). Meanwhile, in Latin America CP transformed as a discipline from the academic and political psychology. The so called ‘crisis in social psychology’ influenced the formation of CP in Europe, North America and Latin America, highlighting the need for a more politically oriented CP. CP in Latin America has dedicated its work to the social disadvantaged and oppressed groups aiming for their liberation (Burton and Kagan, 2005).

In South Africa, CP correspondingly addressed itself to the inherent societal problems, including the history of the apartheid, reconciliation and continued inequality and oppression in CP’s South African approach. Both Latin America and South Africa versions of CP have been influenced from Marxist theory partly because of its role in the liberation struggle (Bhana, Petersen and Rochat, 2001, p.377-391; Hook, Kiguwa and Mkhize, 2004). Norway (Carlquist, Nafstad and Blakar, 2007, p.282-298), Turkey (Degirmencioglu, 2007, p.356-362), Italy (Francescato et al., 2007, p.263-281), Greece (Triliva and Marvakis, 2007, p.363-374), Ghana (Akotia

and Barimah, 2007, p.407-414) and India (Bhatia and Sethi, 2007, p.180-199) have also developed their own CP.

The last insight will be drawn in the development of CP in Europe, which varies in character between countries. Taking into account the various CP approaches all over the world, it is evident that CP has not been developed as a unified field, although some of its versions may identify their aims and action. The different versions of CP conceptualized and implemented their aim and practice in relation to the version's context, culture and needs.

Specifically in the UK, CP developed very slowly. Nevertheless, since 1990 a network of community psychologists has emerged with roots in environmental, educational, clinical and health psychology (Burton et al., 2007). CP in Britain targeted its aim in building alliances with those who are marginalized under a value-based participatory work which led towards social change (Burton et al., 2007, p.219). However, a number of factors, which are going to be exposed, led to the CP's critique and the upcoming emergence of CCP as another area of critical community *praxis*.

The acritical incorporation of the individualistic North American version of CP in the UK led to CCP's development, as some academics/practitioners disfavored and critiqued this assimilation. UK's CP has been influenced by the dominant version of the individualistic, ethnocentric North America CP. According to Fryer and Laing (2008) the US version of CP has globally dominated the field. The fact that it has more postgraduate training courses, academic staff and more funding for studentships creates more possibilities to attract overseas students. Therefore, while US CP is centered in the individualistic culture of the USA, under the 'community umbrella', which is actually clinically oriented, by attracting, training and exporting back to their

countries more and more overseas students, this “constitutes an intellectual and cultural colonialism” (Fryer and Laing, 2008, p.9).

Consequently, assimilating the individualistic version of North American CP, critical community psychologists claimed that CP has ignored the socio-political dimension of their practice that was central earlier in the discipline’s formation and history (Thompson, 2005, p.3). CP, emphasizing the personal and relational level of change, has forgotten the collective one, where socio-political factors, like social class, economic exploitation etc. play a detrimental role. In this way, it could be argued that the crisis in the field never ended. In contrast the crisis in SP has been transformed from the a-social theory to the ‘unpractical’ critical social theory to *praxis* crisis. Hence, it may be claimed that CP embraced the transformation and the continuation of the crises basically from the level of the ‘unpractical’ critical theory to the level of the personal and relational centered community *praxis*. Thus, CCP’s emergence may be conceptualized as a reflection upon both those continuous crises, and specifically as the reflection upon the CP’s community *praxis* crisis.

CCP highlighted concepts, values and ideas in order to address CP’s weaknesses and redress the relationship between critical theory of CSP and community *praxis* (Burton and Kagan, 2001). Social justice, social action, social change, the ecological metaphor, *praxis*, politics, diversity, oppression, liberation, powerlessness and the distinction between working at micro, meso and macro levels are CCP’s central concepts (Burton and Kagan, 2001, p.15). Undoubtedly many of these concepts/values overlap with CP’s, however CCP adopted them and move forward in the implementation critical community *praxis*.

Moreover, it is argued that CCP tried to overcome CP's *praxis crisis* differentiating itself from CP, on two major axes. The radical departure from CP to CCP can be firstly centered in the level of change (*ameliorative versus transformative*) and secondly in the context (*local versus global*) of interventions that are carried out. Most community psychology's interventions are ameliorative in nature. Prevention, support programs and community development initiatives are typically designed to promote well-being at personal and relation level" (Prilleltensky and Nelson, 2010, p.160). In this way, the fact that CP ignored the collective level which is the utter level of system's social change, led to CCP's embracement of a transformative paradigm of intervention, as to implement an actual community *praxis* and change.

Transformative interventions form part of second-order change, they are targeted in the collective level and strive to change the system and its assumptions by challenging and questioning power relationships under the programmatic goal of eliminating oppression (Bennett, 1987; Seidman and Rappaport, 1986). Hence, CCP aimed to promote a community *praxis* which will fundamentally alter the system that keeps people poor, exploited and alienated (Kagan et al., 2011, p.32).

As Kagan et al. argue (2011, p.32) CCP embraced a *liberatory, participatory* and transformational *praxis*. All those terms have been introduced from the stream of liberation psychology in Latin America. First of all, *praxis* denotes the critical reflection and action upon the world in order to transform it. To move in a *new praxis* needs first and foremost to cultivate a critical understanding of yourself and your social reality. It is what Paulo Freire named conscientization (Martín-Baró, 1994, p.41). The person becomes literate and his literacy is related with the ability to read

the surrounding reality, realize the social and political dimensions, make manifest the historical dialectic between individual growth and community organization, between personal liberation and social transformation (Martín-Baró, 1994, p.40-45).

Praxis is liberatory because it is a collective and practical task, coming from below, from the marginalized and oppressed majorities. However, CCP makes a step forward proposing not only a *liberatory praxis* but a *pre-figurative praxis* (Kagan et al., 2011, p.61) being inspired both from Antonio Gramsci's concept of 'pre-figurative' action (Devine, Pearmain and Purdy, 2009; Gramsci, 1971) and Ignacio Martín-Baró's notion of *new praxis*. Pre-figurative praxis is not a methodology in itself. It is rather an orientation that guides CCP's role as collaborator and co-learner in complex social environments (Kagan et al., 2011, p.61). Therefore it can be argued that *pre-figurative praxis* it is the pre-figurative orientation where liberatory *praxis* flourishes, by means of action research.

Action research and P.A.R was founded around 1950s in Latin America, by Orlando Fals-Borda (Montero, 2009, p.81). This perspective was strongly supported by the work of Ignacio Martín-Baró and Paulo Freire who used PAR "to encourage poor and deprived communities; to examine and analyze the structural reasons for their oppression" (Baum, MacDougall and Smith, 2006, p.854). Following these roots, CCP embraced alike CP, a *participatory praxis* with communities, based on P.A.R as a critical methodology (Baum, MacDougall and Smith, 2006) aiming to empower people in order to change transformative their lives (Minkler and Wallerstein, 2003, p.5).

Therefore, CCP considers that community *praxis* has to be transformative because working *in partnership with the oppressed* a fundamental social change can be possible (Nelson, Prilleltensky and MacGillivray, 2001).

Secondly, CP and CCP are differentiated in the basis of context of their interventions. A quite thought provoking slogan of CP is “think global, act local”, thus the identification of intervention with local actions is evident. However, critical community psychologists argue that although this slogan focuses on feasible and practical action, it fails actually to articulate the linkages between global and local. Hence, CCP adopted the slogan ‘Global is local and local is global’ as to show that global action is fundamental for social change. Uncoordinated local actions fail to change the whole system of oppression, poverty and exploitation. Transformational community change will come, only if there is a good understanding of how the global system works and an engagement with global issues and their local impacts (Kagan et al., 2011, p.32-33).

The entire rejection of the North American individualistic CP version assimilated in the UK, and the CCP’s positioning on transformative change in a global level, depicts not only the transformation into a more critical version of CP but also implies how CCP tried to embrace a *critical social liberatory theory* in an action oriented critical community *praxis*. The term *critical social* has been adopted by CSP’s roots in critical theory and emerged mostly in the UK. Specifically, the term *critical* reflects on critical psychology’s ideas that mainstream psychology is used as a hidden ideology. In this way, what is most significant is to investigate what are the implications for the distribution of power, for whom and which are the consequences (Parker, 2007, p.33). The term social is rested upon CSP’s ideas that psychological

theory needs to be social and politically driven. Lastly, the term *liberatory* comes as it is shown from the stream of liberation psychology which focuses on the liberation of the oppressed. Hence, it is adumbrated how CSP has been linked with CCP under a critical social theoretical orientation, which would not be contextualized if CP's crisis was not taking place, firstly in order to depict the transition from CSP's theory to *praxis* and secondly its limitation in implementing a transformative community *praxis*.

Conclusions

The emergence of CCP is undoubtedly linked with the formation of CSP as a discipline. According to Hepburn (2003) CCP used the term "critical" from both Critical Psychology and CSP. There is a dialectic relationship between CCP and CSP as they share a common critical theoretical, epistemological and methodological background, a critical orientation and character. Nevertheless, CP was the transient state from CSP to CCP.

Adopting CSP's perspective on the critical, epistemological and methodological framework, CP tried to differentiate itself from CSP's 'unpractical' theory, providing community *praxis* out of the deadlock of both mainstream SP and CSP. Therefore CP has been contextualized as a move from critical social theory-crisis to *praxis*. However, the fact that CP has not succeeded to be a unified field, embracing streams which ranged from the individualistic North American CP to the radical CP in Latin America, influenced the way CP implemented community *praxis*.

Many researchers have accused CP for having achieved only a 'partial paradigm shift' insofar to the traditional functioning of psychology. CP's focus on ameliorative change in a very local mostly personal and relational level reveals that

CP has forgotten the social and political dimension of its practice, which was central in its earlier formation and history. Forgetting its community context and emphasizing only personal and relational well-being, an internal disciplinary crisis can therefore be argued. Although CP is undoubtedly contextualized as the move from critical social theory to community *praxis*, it is claimed that CP embraced the transformation and continuation of the crisis from the field of CSP to the field of CP. In other words it is concluded that crisis although it started from SP's asocial theory, *moved to the 'unpractical' CSP's theory* and transformed in community *praxis* crisis. Therefore it can be assumed that CP is in a perpetual crisis in terms of the personal and relational centered *praxis* which forgot the notion of community *praxis* and led to CCP's formation

CCP's emergence reflects upon CP's crisis. Analytically, SP's fail to provide a truly social theory led to the crisis of the field and the flourishing of a critical social theory, radical enough to contextualize daily social incidents, yet unable to provide *praxis* in the daily human problems. CP tried to establish a relationship between critical social theory and *praxis* which has proven very weak, taking into consideration that CP failed to address adequately the concerns of its more marginalized constituents in all levels of change. Therefore, the emergence of CCP and its radical departure from CP can be attributed in CP's *praxis* crisis

CCP tried to redress the relationship between critical social theory and community *praxis*. Rejecting entirely the individualistic historical roots of North American CP, CCP deviated in the long lasting, transformative change embracing all the different levels of well-being, either personal and relational or collective. Hence, it is concluded that CCP not only became another one critical community paradigm but

it should be approached as the outcome of the multiple crises that took place in the disciplines of SP, CSP and CP.

Nevertheless, what should be taken into account is that despite the fact that CCP's emancipation is based on its transformative character, sometimes critical community psychologists made claims for transformative change that has proved at best ameliorative (Kagan et al., 2011, p.32). Therefore, it could be assumed that crisis may not be over. It is possible the following years to observe another interdisciplinary crisis in CCP's domain this time, rested upon the ambiguity of its character aimed transformations.

Acknowledgements

I would first like to thank my thesis advisor Dr. Nichola Khan of School of Applied Social Sciences at University of Brighton. The door to Prof.Khan was always open whenever I had a question about either my studies generally or my thesis in particular, *where this paper has been based on.*

I would also like to acknowledge and thank my colleague and close friend Nikolaos Mylonas, a master student at University of Birmingham, as the second reader of this paper and I am gratefully indebted to him for his valuable comments on this study.

This accomplishment would not have been possible without them. Thank you

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Pimping Paradise? The neoliberalization of growth management in Florida with some implications for politics and conservation

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Introduction:

In this essay, I discuss the extended and uneven process involving the initial hobbling and eventual complete infiltration of the growth management institution in Florida through neoliberal governance reforms and what implications this has had, and will continue to have, for environmental conservation in the state as a whole under *deepening* neoliberalization (Peck et al., 2009; Peck and Tickell, 2002). While controlling sprawl and promoting environmental conservation were primary motivations for the creation of the 1985 Growth Management Act, which today remains among the most ambitious of its kind, compounding transformations in the logic and mechanisms of the governance of urban growth has led to a situation where the natural environment is relegated to means-to-an-end rather than an end-in-itself, with perceived contribution to economic “competitive advantage” and growth increasingly dominating as the primary criteria for deciding between the often rival policy goals of environmental conservation and economic growth.

The utilization (or, indeed, the *production*) of urban economic crises has provided the impetus for further transformation of growth management legislation, often with environmental conservation regulations, institutions and funding being among the first to feel the cutting edge of the neoliberal knife known as austerity and its suture needle, re-regulation. While such moves are today recognized as part and parcel of neoliberal policy transformations, the cumulative impacts of their parasitism over-time in particular sectors and particular geographical contexts are less well studied and thus remain relatively poorly understood. Building on this understanding, when looking ahead it seems clear that the guiding logic of neoliberal governance, in Florida as elsewhere, is at odds with long-term conservation strategies and should be resisted as a hegemonic model for environmental management. Furthermore, re-claiming the state, rather than relishing in local fixes, could be the biggest challenge for progressive environmental politics in the coming years.

Methodology and methods:

Understanding neoliberalization as an uneven but compounding process, it is necessary to trace the subsequent interaction of neoliberal initiatives with pre-existing, thus inherited regulatory frameworks, development patterns and socio-political coalitions. To grasp the interactions between existing institutions and neoliberal projects as a dialectical process implies the need to first identify “the (partial) destruction of extant institutional arrangements and political compromises through

market oriented reform initiatives”, and, next, to trace “the (tendential) creation of a new infrastructure for market-oriented economic growth, commodification, and capital-centric rule” (Peck et al., 2009). The first can be considered in terms of the “roll back” (moment of destruction) phase of the neoliberal dialectic, and the latter the “roll out” (moment of creation) phase (Brenner and Theodore, 2002; Peck and Tickell, 2002). For the case of Florida discussed below, these involve some exemplary cases such as the peace-meal process of defanging the state’s growth management institution through targeted reform and the empowerment of public-private partnerships in the 1990s. They also involve examples of the most recent case of *deepening* neoliberalization after the 2007 financial crisis, including the election of venture capitalist Rick Scott to the seat of Governor in 2011 and the subsequent substantial re-regulation of the growth management institution by his administration.

Given that the consequences of neoliberalization are unevenly distributed, more detailed examinations of their effects on specific sectors, locations, and resources can offer additional insights into their heterogeneous outcomes. In this article, special attention is given to the implications of this neoliberalization process for environmental conservation. In this regard, the study proceeds under the assumption that under neoliberalism, transformations in socio-political and socio-economic institutions are guided by a generic (even brain-dead, Peck, 2010) commitment to economic growth and efficiency. Given this guiding principle, when things go wrong, such as in a financial crisis, then one should expect bureaucratic downsizing and fiscal cuts to be made to those agencies, regulations or budgetary items which are not seen as directly conducive to furthering investment and growth. This is often articulated in terms of contribution to the state or local government’s “competitive advantage” (Jessop, 2002). Given that the institution of environmental conservation, in Florida as elsewhere in the United States, is largely funded with public money and often viewed by market fundamentalists as expensive and bureaucratically cumbersome, it is likely to be among the first institutions to feel the sheers when the neoliberal state decides to take a little off the top (Comerford et al., 2010; Townsend, 2012). Evidence is provided from the Florida context to support this claim.

The materials used in this essay follow from the above lines of inquiry, namely the theoretical intensions of both growth management policy in Florida and the neoliberal reform practices which interact with and transform it, and the actually existing implementation of these ideas and their empirical (e.g. material) consequences. Academic literature, legislation and policy documents provide insights into underlying logics and principles. Furthermore, NGO and governmental agency reports, newspaper articles, popular literature and empirical data sets including remotely sensed land-cover transformations provide evidence and insight into the actually existing forms of political

economic and environmental transformations in Florida under deepening neoliberalization. Mixed qualitative analytical methods are employed, with the primary purpose of inquiry being to uncover the underlying mechanisms of the empirical experience, rather than remaining satisfied with empiricist description. In this way, the analysis is conducted in the spirit of critical realism as a philosophy of science.

From neoliberalism to neoliberalization:

Neoliberalism as a social-scientific signifier has gained significant traction over the last several decades, most recently experiencing an impressive revival in academic and common parlance post-2007, despite many scholars and activists having flagged the end of neoliberalism as we know it as a result of the “great recession” (Peck, 2013a). With its ideological roots grounded in the infamous Mont Pèlerin Society established in the 1940s, the “flexible credo” of neoliberalism gained initial prominence as a strategic political response to the crises of Keynesian-welfare economic policies in the 1970s, most notoriously manifest in the sweeping administrative programs of Reagan in the U.S., Thatcher in the U.K., and Pinochet in Chile. Rather than emerging as a fully-fledged program from “nowhere”, Mirowski and Plehwe (2009: 4) point out that neoliberalism is today best understood as a “transnational movement” which required some time and considerable effort to attain the “modicum of coherence and power” which it has achieved today, which, they argue, remains “poorly understood, but curiously, draws some of its prodigious strength from that obscurity.” The language is tricky, because just talking about neoliberalism offers the impression that neoliberalism is “out there” somewhere, if we could only catch it. This is, I think, a somewhat dangerous miscalculation, as any search for a coherent and tangible neoliberal-object is bound to come up short. As Peck et al. (2009: 51) have argued, “We are not dealing here with a coherently bounded ‘ism’, system, or ‘end-state’, but rather with an uneven, contradictory, and ongoing process of *neoliberalization*”.

While enough academic research on neoliberal thought and reform processes has been published to fill a small library, disagreements about what neoliberalism actually *is* have led to divergence in the major perspectives regarding how the neoliberal ideology and process are best conceptualized. Some intellectuals have been prone to view neoliberalism as a monolithic system, a *pensée unique* (Mirowski and Plehwe, 2009: 1), capable of bulldozing existing socio-political institutions and replacing them with “neoliberal” ones. Others draw attention to the quotidian and situated implications of neoliberal policy while rejecting claims to an overarching structure or logic to the neoliberal enterprise as a whole. I find myself convinced by the more dialectical perspective offered by Brenner et al. (2010) who emphasize what they call the *variegated* nature of neoliberalism. The term variegation invokes the systematic unevenness of neoliberalization, which shares a broad

pattern of intent while actually becoming manifest in countless varieties of socio-political mashups. While almost inexplicably similar, the mongrel, actually existing forms are a product of the fundamental parasitic nature of the ideology itself which can only subsist in relation to other social forms (Peck, 2013a).

Holding together the loose pieces of the neoliberal puzzle are some underlying commitments and guiding principles that, either implicitly or explicitly, neoliberal reformers adhere to, to varying degrees. Peck et al. (2009: 50), argue that neoliberalism rests on the conviction that “open, competitive and unregulated markets, liberated from state interference and the actions of social collectivities, represent the optimal mechanism for socioeconomic development”. This conviction invokes the competitive spirit of free-market capitalism, where entrepreneurialism and innovation is supposedly rewarded while inefficiency is punished and excesses trimmed. For the public sector, the pursuit of this conviction means that they, too, must dawn the entrepreneur’s new clothes (Merrifield, 2014) if they are to stay afloat in the sea of increasing inter-spatial competition that arises from neoliberal modes of social, economic and environmental governance. This shift in purpose and practice of public administration, as Harvey (1989) remarked a quarter century ago, involves a fundamental, but by no means complete and uniform, shift from a managerial mode of governance to an entrepreneurial mode marked by the externally oriented “speculative production of place” rather than the internally oriented amelioration of social and environmental needs within a given spatial domain. The “crisis of established modes of governance” which neoliberalism creates provides the impetus for further neoliberalization through exactly this kind of shift in the principles guiding urban governance regimes and thus the available space of possible action (Peck et al., 2013). The disarticulated roll back attacks on local institutions and the rolling out of experiments in neoliberal statecraft which characterize early stages of neoliberalization are followed by a deepening of their dominance within state formations, the intensification of regulatory restructuring efforts, and the increasing synergies of compounding neoliberal reforms (Peck et al., 2009).

Entrepreneurial governance:

The “defining characteristic” of entrepreneurial governance argues Du Gay (1996: 155) is the “generalization of an “enterprise form” to all forms of conduct- to the conduct of organizations hitherto seen as being non-economic, to the conduct of government, and to the conduct of individuals themselves”. This “enterprise form” for public administrations, like businesses, is a product of the competitive pressures to which they are exposed under increasing neo-liberalization (Centeno and Cohen, 2012; Peck et al., 2013). And like businesses, state strategies under entrepreneurial governance tend to emphasize competitive advantage, the pursuit of which typically

relies on public-private partnership which focus on investment and economic development with the immediate (but by no means exclusive) goal of attracting “investment” and promoting place branding rather than addressing territorially bound social and environmental needs (Harvey, 1989: 8).

Harvey (1989: 8-11) had initially identified four basic, ideal-typical options for entrepreneurial governance, namely 1) the production of goods and services (e.g. resource base, location), 2) the spatial division of consumption (e.g. consumer attractions and entertainment), 3) command and control functions (e.g. communication and transportation networks), and 4) redistribution of surpluses through central governments (e.g. military, education and health investments). All of these types could today be classified as early expressions of neo-liberalism’s now “customary” forms (Peck, 2014: 397). These options are not mutually exclusive, as Harvey (1989: 10) acknowledged, but hybridist and potentially synergistic, their combinations and outcomes helping exacerbate uneven development and thus the uneven fortunes of metropolitan regions. The pursuit of these options results directly from the attempts of state and local governments to adjust to “heightened levels of economic uncertainty by engaging in short-termist forms of interspatial competition, place-marketing and regulatory undercutting in order to attract investment and jobs” (Peck et al., 2009: 58).

Like neoliberalism more broadly, entrepreneurial governance also implies the commitment to cost effectiveness, efficiency, least regulation, etc. The priorities under entrepreneurial modes of governance are, as previously suggested, logically grounded in the criteria of perceived contribution to competitive advantage. This method of prioritization can of course be (and often is) contested, but the underlying logic remains the same. Crisis tests the priorities assumed in the logic of any governance regime by forcing “hard choices” and tradeoffs between competing social, economic and environmental objectives, for example, between cutting taxes and funding conservation initiatives. Austerity is a common reaction to economic crisis under neoliberal logic (Tabb, 2014; Peck, 2014b), and what gets cut is decidedly the lesser priority for the governing administration. In Florida, to which I turn next, the entrepreneurial approach to urban political-economic and environmental governance under deepening neoliberalization has led to both the dismantling of centralized quality control mechanisms and the disempowerment, through de-funding and downsizing, of environmental conservation programs and agencies. The logic of urban governance under neoliberalism is such that environmental conservation as a social objective, like other public services and support systems (e.g. welfare, education, etc.), is seen as necessarily relegated to a second-class seat, becoming a “priority” when it contributes to economic growth via e.g. tourism, but always remaining on the cutting block in times of neoliberal stock-taking.

The roots of growth management in Florida:

In the face of unprecedented population growth and related economic expansion which accelerated in the mid-20th century (figure 1 a and b), Florida was among the first states in the United States to adopt a comprehensive growth management plan in an attempt to better integrate and pursue the competing goals of economic development and environmental conservation. By far the most distinguished and ambitious result of these early efforts was the 1985 Growth Management Act (GMA), which, building on a series of preceding legislative actions aimed at curbing and controlling population and development expansion, sought to comprehensively integrate and coordinate multi-scalar planning, from the state to the regional to the local levels. The GMA has (or, as will be seen, *had*) a double-edged ambition, to maximize the benefits of development while reducing negative impacts such as environmental degradation from e.g. urban sprawl. This was to be accomplished through centrally coordinated and regulated spatial planning. At the time, the GMA was among the most extensive and ambitious attempt of any U.S. state to control development, and has even been touted by some as the pinnacle for the discipline of planning (Connerly et al., 2007).

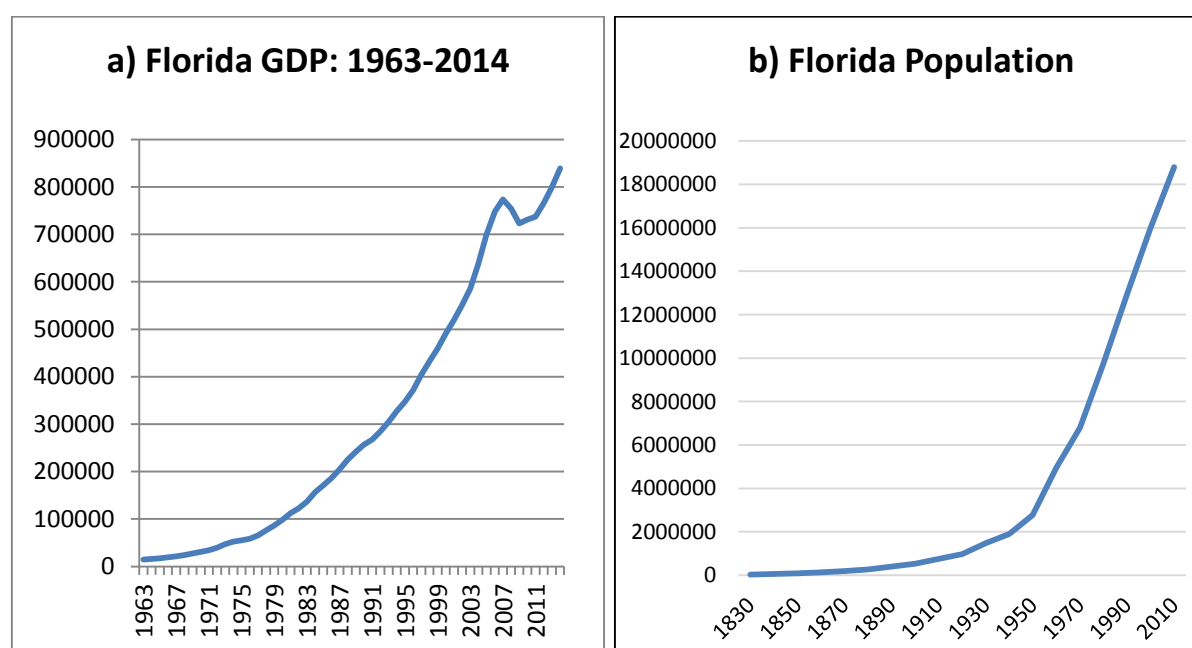


Figure 1 a and b: a) Population and b) total GDP growth in Florida post-1950. Source: a) The U.S. Department of Commerce and b) U.S. Census Bureau.

Both before and after its designation as the 27th state in 1845, federal and state government played a central role in the occupation and development of the Florida peninsula, including active military conflict aimed at the removal of the Seminole Nation, the surveying and “improvement” of swamp lands, the transfer of public lands to private hands for railroad and settlement expansion, and the continued production and maintenance of terrestrial and aquatic transportation networks (Boda,

2016). Among the most striking examples of this facilitation is the way the State of Florida handed the land which would become Orlando over to Mickey Mouse with few qualifications, eventually giving the Disney corporation almost unimaginable freedom to control and transform the environment (Foglesong, 2001).

Along with this history of state facilitated development came extensive environmental degradation, including the wide spread removal of predators (e.g. the Red Wolf *Canis rufus*) and faunal communities (e.g. the Longleaf Pine, *Pinus palustris*), the conversion of huge swaths of ecologically productive interior and coastal wetlands into building sites and farmsteads, and the toxification of the environment in the name of agriculture and pest control. Marjory Stoneman Douglas (2007), for example, famously documented the massive ecological degradation occurring in South Florida prior to WWII resulting from the largely unsuccessful attempts of state and private development interests to “improve” the River of Grass (Everglades) by draining and converting huge portions into farm and ranch land. The resulting ecological destruction, nearly a century later, remains a central point of contention in contemporary environmental politics in Florida (Grunwald, 2006). Even Rachel Carson (2002: 31) frequently noted the destructive practices associated with increasing development in Florida, for example in her mentioning of the indiscriminate use of the insecticide Malathion in “blanket attacks” on insects, including “the spraying of nearly a million acres of Florida communities for the Mediterranean fruit fly”.

It wasn’t until the 1960s, in parallel with the rise of social and environmental movements in the rest of the United States, which Florida began to take some centralized action to control, at least to some degree, the detrimental effects of expanding development. As Nicholas and Steiner (2000: 651) have noted, the development of Florida in the 20th century,

has yielded economic returns that defy measurement. Florida and Floridians have gone from a poor, small group of individuals living on the edge of devastation to major participants in the national and international economies. The developments that begat this transition have largely taken the form of draining interior wetlands and filling coastal wetlands. There is now recognition that a continuation of this historic form of development will not yield further economic gain.

This realization was already growing when Democratic Governor Bob Graham signed the GMA into law in 1985.

The GMA was meant to act as a “steering policy” which would guide future development in the state. While early milestones in its implementation were met without significant problems, for example the

near universal adoption of local comprehensive plans throughout the state, other aspects of the GMA were less successful. Problems associated with urban sprawl, environmental degradation, and inadequate public service provision, all which were core targets of the GMA at its inception, have been at best unevenly realized throughout the state. While some have long touted that state-led growth management was a necessary component of a sustainable long-term development, others have argued that growth management legislation is a “job killer”, advocating instead a “hands off” approach which emphasizes that planning decisions are best made at the local level.

The long-lived controversy over the efficacy and desirability of Florida’s GMA came to headway in 2011 when the recently elected Republican Governor Rick Scott and his administration effectively gutted the enduring, if somewhat weakened, GMA, putting the primary control of development decisions, as they saw it, “back where they belong” at the local level. Rather than being the product of the whimsical will of an eccentric neoliberal politician (which Rick Scott certainly is), the most recent dismantling of Florida’s GMA is perhaps best conceptualized as the latest step in a long series of penetrating attacks on the institution of growth management since its inception. More than a totalizing claim that “neoliberalism strikes again”, the long process of *neoliberalization* of Florida’s GMA offers a more profound insight into the nature of neoliberalism as an ideological program which, while sharing general principles and patterns across space and time, is heterogeneously manifest in particular parasitic relationships and unhappy marriages in concrete spatial and temporal contexts. Because neoliberal institutional adjustment and policy re-regulation are not accomplished *tabula resa*, they instead grasp and infect the existing institutional structures, twisting, molding and dismantling them in ways that are often partial and incomplete, but still part of a broader ideological agenda. These cumulative changes can be traced across-scales and through time. The neoliberalization of Florida’s growth management institution has been underway almost since its inauguration, and the process continues to deepen and intensify in the face of contemporary socio-economic (more specifically, *urban*) and environmental crises which are increasingly the result, as well as the cause, of neoliberal policy reform projects (Heynen and Robbins, 2005).

The political geography of the 1985 Growth Management Act:

While there was early recognition of the need to impose some degree of order on the process of growth in Florida, comprehensive legislative action at the state level did not come until the Growth Management Act (GMA) of 1985. In its design and intension, the growth management policy adopted by Florida resembled the “best practices” of other states, most notably the experiences of the State of Oregon who had initiated its own growth management legislation nearly a decade earlier (Pelham, 2007). What sets Florida’s growth management approach apart from the rest is the strong role it

created for the state government in reviewing and commenting on the comprehensive plans developed by local governments, which requires at least some degree of inter-jurisdictional dialogue and cooperation. Over-sight of local comprehensive plans, which are required by the GMA, had been delegated to the Department of Community Affairs (DCA). Florida's approach to growth management was arguably "the most aggressive and far-reaching" growth management strategy yet seen in the United States which, at least to some, represented "the high water mark for the profession of planning" (Connerly et al., 2007: 1-2).

The implementation of Florida's GMA was meant to be regulated by way of a "steering policy" which consists of three distinct sub-policies: consistency, concurrency and compact development. The 3C's serve both leadership and learning functions in the over-all growth management strategy. As Ben-Zadok (2005: 22) notes, "[a]s a leading policy in a multifaceted initiative that consists of several policies, steering policy is directed by distinct purpose and it oversees critical implementation issues. Its learning experience is adopted by other policies, thus bringing changes in the implementation course of the whole initiative". The consistency policy in particular provides the "structural framework for implementing the GMA" as it mandates "coordination, compliance and continuity" between state, regional and local plans. A tri-level review process grants the state with ultimate authority to intervene in land development decisions, which had almost entirely been left to localities in the past (Ben-Zadok, 2005: 21).

Consistency between local, regional and state strategies for managing growth in Florida was coordinated through the establishment of Comprehensive Plans. Compliance between comprehensive plans at different administrative levels was reviewed and ensured by the DCA. Rather than simply a set of rigid regulations, these comprehensive plans articulate a series of strategic goals and policies regarding a variety of growth management-related categories. They are meant to be "living documents", which are open to learning from experience and subject to periodic review and revision. As such, they are also capable of being adjusted to internal and external changes in social, political, and economic relations.

The GMA's requirements for intergovernmental co-ordination among plans include (Ben-Zadok, 2005: 29):

- consistency between the local plan and local development codes such as zoning;
- consistency between the local plan and its counterparts in nearby jurisdictions;
- consistency between local and regional plans;

- DCA’s review and approval of local and regional plans against the SCP and other state policies;
- periodic evaluation and updating of local plans including review by DCA

This control process delineates “hierarchical compliance” among plans from top (state) to bottom (local) and has shaped the GMA as a state centralized process by granting the DCA with “ultimate authority to approve local plans and impose stringent legal sanctions” (ibid). This hierarchical compliance, however, was also meant to be augmented with a bottom-up approach to monitoring and evaluating the implementation of the GMA by accumulating knowledge and experience from local governments at the regional and state levels through periodic review processes. This was meant to allow for coordination within and between levels while still providing possibilities for adjustments in practice as experience accumulates and state policy evolves (Powell, 2000).

The Florida State Comprehensive Plan (SCP) is held under Florida Statutes, Title XIII- PLANNING AND DEVELOPMENT, Chapter 187 (.101 and .201) and was adopted in 1985 along with the GMA. The entire plan is comprised of 25 sections, each with a set of approved goal(s) and policies which advocate either positive (e.g. ensuring, increasing, promoting, etc.) or negative (e.g. eliminating, diminishing, preventing, etc.) actions. The SCP is intended to “provide long-range policy guidance” and to be a “direction-setting document”, the contents of which are expected to be “reasonably applied where they are economically and environmentally feasible, not contrary to the public interest, and consistent with the protection of private property rights” (Chapter 187.101 (1-3), Florida Statutes).

Random examples of the multifarious policies captured under the SCP which are directly relevant to economic development and conservation include e.g.

187.201 Section 21 on Economy:

- (21) (b) 1 *Attract new job-producing industries, corporate headquarters, distribution and service centers, regional offices, and research and development facilities;*
- (21) (b) 4 *Strengthen Florida’s position in the world economy through attracting foreign investment and promoting international banking and trade;*

187.201 Section 23 on Tourism:

- 23 (b) 1 *Promote statewide tourism and support promotional efforts in those parts of the state that desire to attract visitors;*

187.201 Section 9 on Natural Systems and Recreational Lands

- (9) (b) 1 *Conserve forests, wetlands, fish, marine life, and wildlife to maintain their environmental, economic, aesthetic, and recreational values; and*
- (9) (b) 3 *Prohibit the destruction of endangered species and protect their habitats.*

These are the guiding policy goals- but their interpretation and implementation is informed by the logic of the prevailing governance regime. While the potential of the GMA and coordinated comprehensive planning was substantial, and in certain ways successful (e.g. the wide-spread adoption of local comprehensive planning), early contestation and partial implementation provided the seeds of future failure, from which subsequent neoliberalization could take hold.

Disarticulated neoliberalism- Florida style: regional reform and the rise of PPPs

Rolling back: funding failures and the culling of cumbersome councils

Even if the GMA signed into law by then Governor Bob Graham had the best of intentions, right from the start it was met with resistance and structural barriers to comprehensive and effective implementation. For example, the 1985 GMA failed to adequately provide mechanisms for funding the 3C's, leaving local governments largely with the responsibility to pursue funding by any means available. At the same time, the pressure to comply with state-level requirements intensified. However, the ability of local governments to extract taxes and other revenues has long been limited in Florida, as "local jurisdictions find themselves in the same basic situation as the state, with constitutional and statutory limitations on raising revenues" (Nicholas et al., 2007: 55).

This condition has led to a situation where local governments have had to "scramble" for funding to meet compliance and concurrency requirements, which put considerable constraints on the possibilities open to planners at the local level (Ben-Zadok, 2005). The state's failure to face up to the funding problem, Pelham (2007: 14) argues, has "undermined support for the growth management process among the development community and local government officials and impeded implementation of major growth management policies such as concurrency and compact urban form".

In addition to the structural problems associated with funding implementation of the GMA's 3C's, the growth management institution met other serious obstacles in the form of the early 1990's economic recession and the devastation wrought by Hurricane Andrew in 1992. In light of these combined financial and natural crises, the third Environmental Land Management Study Committee (ELMS III) commissioned in 1991 by then Governor Lawton Chiles to review the progress of implementation of the 1985 GMA, issued a report containing recommendations aimed at reforming the GMA. These

recommendations were virtually wholly adopted by the 1993 Florida Legislature, among the most significant being the removal of the powers of the regional development councils, the reduction of the scope and significance of regional plans, and the renovation of the assessment process known as Developments of Regional Impact (Pelham, 2007: 11-13).

These adjustments to the structure of the GMA, and the removal of a regional-level component of coordination and compliance in particular, were based on arguments that these councils were becoming too “complicated”, were constraining for local governments, unfriendly to development interests, and that they unnecessarily muddled up a process which was desperately in need of streamlining. The motivation in the end was one of promoting “flexibility” in local planning to accommodate the differing needs and circumstances of various communities; as one ELMS III member remarked, “One size fits all is not true for pantyhose, and it’s not true for planning” (Powell, 2000: 528-529). The whole point of the GMA from the beginning was, however, not to have a completely top-down state-controlled process of development, but a multi-directional flow from state to local levels (e.g. implementation and compliance) and then back again from local to state levels (e.g. evaluation and monitoring effectiveness), which was meant to allow for coordination within and between levels while still providing possibilities for adjustments in practice as experience accumulates and state policy evolves (Song, 2007; Powell, 2000). The regional councils were meant to play a significant role in this multi-directional process, and their removal as active agents in growth management practice in 1993 helps explain why this “bottom-up” dimension of Florida’s planning and growth management system was never been fully realized.

The result of this “streamlining” (or rolling back) of the regional dimension of the Florida growth management institution was the further weakening of an already contested and underfunded planning program. The post-1993 state and regional planning processes were substantially different than those envisioned in the original 1985 legislation, with the increasingly “hands-off” state allowing its own SCP to become out dated while the weakened regional planning component could not effectively deal with multi-jurisdictional issues (Stroud, 2012). In addition, Jeb Bush, who became Governor of Florida in 1999, also made attempts to further restrict state control over local planning practices (Ben-Zadok, 2005) which, at the time, critics recognized would not help to curb growing sprawl or “strip-mall” development (The Palm Beach Post, 1999). As a result of these efforts, the state and regional planning overlay has had little effect on the local planning process (Pelham, 2007) which has had significant implications for fulfilling the SCP policy goals associated with e.g. environmental conservation, as discussed further below. Furthermore, this ineffectiveness, largely the result of concerted efforts to hobble the established mechanisms of growth management and planning, helped produce the very crisis conditions which would later provide the impetus for further

transformation of the GMA and a deepening of neoliberal policies after the “great recession” of 2007-2009. This, I would argue, is a clear example of what Jamie Peck¹ calls neoliberalism’s contradictory capacity to “fail forward”, or to lean into the crises of its own making and use them as means to further constrain solution options and to further infiltrate and transform institutional structures in its own image.

However, while the 1993 Florida Legislature was busy gutting the regional-scale planning component of Florida’s growth management institutions, plans were already in the pipeline to roll out a new and innovative approach to encouraging economic growth in the state, namely, the production of economy-oriented public-private partnerships for which Florida helped set the standard and pave the way for the rest of the United States to follow suit.

Rolling out public-private partnerships: Enterprise Florida and VISIT FLORIDA

Today, the State of Florida relies on largely publically funded public-private partnerships (PPP) to assist in specifying the state’s competitive advantages and pursuing them through lobbying and marketing activities. This is a characteristic strategy in entrepreneurial governance (Pugalis and Bentley, 2014: 129). Back in the mid-1990s, Florida was among the first states in the nation to place the principle responsibility for economic development in the hands of a PPP called Enterprise Florida (EFI). EFI is a PPP between Florida’s businesses and government leaders, and remains the principle economic development organization for Florida². EFI promotes numerous industries, including aviation and aerospace, life sciences, manufacturing, defense and homeland security, information technology, financial and professional services, logistics and distribution, cleantech and headquarters. Tourism, the largest single industry in the state, has its own PPP which was established by the Florida Legislature in 1996, The Florida Commission on Tourism, which operates as VISIT FLORIDA³. Being the official tourism marketing corporation for the state of Florida, VISIT FLORIDA is connected with over 11,000 tourism industry businesses, including mega-corporations like Disney, for whom it facilitates advertising and communications to domestic and international markets. The marketing phrases used below as exemplary of the logic of these PPPs are largely taken from their websites and annual reports.

¹ I heard Jamie Peck use this terminology during a lecture on “neoliberalizing space” as part of a PhD course on Political Economy in Sustainability Research hosted by the Lund University Center for Sustainability Studies in November and December of 2015.

² Controversy over funding EFI is happening at the time of writing: e.g.

<http://www.tampabay.com/news/politics/stateroundup/as-enterprise-florida-chief-resigns-gov-rick-scott-orders-6-million/2271073>

³ <https://www.visitflorida.org>

One approach used by EFI to construct Florida's competitive advantages is its emphasis on a "business- friendly climate" which comes fully stocked with a "business-friendly legislature, favorable tax climate, and large market" (Enterprise Florida, 2014). An indicator of the relative depth of this low tax and low regulatory approach is Florida being ranked by The Tax Foundation (a neoliberal think-tank) as 5th among U.S. states on their 2016 business tax climate index (see Tax Foundation, n.d.). Florida's 65 Enterprise Zones, which provide tax incentives to businesses in targeted sectoral and geographical areas (Enterprise Florida, 2016), offer a good example of one tool with which Florida's "business-friendly" climate is produced in practice.

EFI language also emphasizes competitive advantages regarding the state's "multi-modal infrastructure" and its "strategic, global location", including its position within the 2nd largest Foreign Trade Zone network in the country (Enterprise Florida, 2015). Florida currently has something like 19 commercial airports, 15 deepwater seaports, and extensive highway and freight rail networks; however, according to the American Society of Civil Engineers, the state's over-all infrastructure report card sits at C- (below mediocre) and continues to decline due to persistent lack of financial support resulting from insufficient tax revenues, among other causes (see American Society of Civil Engineers, 2016). Florida's geographic location, its "friendly" regulatory environment and its extensive public infrastructure are presented as advantageous to businesses hoping to maintain a competitive edge in domestic or international markets.

VISIT FLORIDA, like EFI, emphasizes the competitive advantages of the state in a way that both is consistent with and actively serves the policy goals of the SCP. VISIT FLORIDA emphasizes Florida's well established brand as a national and international travel destination, touting its "strong network of industry partners" which offers opportunities for collaboration which "have the potential to trump competitive brands in specific global markets" (VISITFLORIDA, 2015b: 109). Florida physical geography is also said to lend a "competitive advantage in the sports market, with year-round mild climate and diverse opportunities in the small, medium and large destinations in Florida" (VISITFLORIDA, 2015b: 119). In addition to the agreeable climate, the abundance of sandy beaches and other natural features have long been a draw for tourists from around the country, and more recently, around the world. VISIT FLORIDA also emphasizes branding, networking and information services as strategic and advantageous to businesses hoping to maintain a competitive edge in "ever more competitive" domestic and international markets in tourism.

While the use of this sort of corporate-marketized language by economic-oriented PPPs is not surprising, it is revealing as a signifier of the underlying neoliberal logics guiding these important players in the governance of Florida's natural and built environment. Whether resulting from natural

endowments like climate and geography, or from public investment like transportation infrastructure and education facilities, these public “assets” are presented as available for the taking, pimped out to the highest bidder or “job creator”⁴. While these PPPs are largely tax-payer funded, they are overseen by some of the largest and most politically powerful companies, law firms, utilities and elected officials. Enterprise Florida, for example, is chaired by the state governor (himself a multi-millionaire), but a private entity can pay up to \$50,000 for a seat on the board (Dixon, 2016). All of the above “promotional” activities, the external gaze of place-branding, the construction of competitively advantageous business tax infrastructure, the capturing of federal spending in the form of military and space technologies, and even the reliance on PPPs themselves, are all today well known, and some would even say *customary* (Peck, 2014a) governance strategies under the influence of reformist neoliberalization. Reviewing these activities and discourses offers a view into the basic priorities of Florida’s political and economic elite.

Deepening neoliberalism: The “great recession” and the death of growth management

Florida’s housing bubble and the “double-failure” of the GMA

The cumulative effects of chronic under funding, piecemeal enforcement, and the removal of regional checks-and-balances produced a growth management institution with severely reduced capacity to control the extensive growth and development in the state throughout the 1990s and early 2000s. At the same time, millions of tax-payer dollars were spent on PPP campaigns which encouraged growth in tourism and the production of business-friendly regulatory regimes, including low tax rates and low environmental regulations. One significant result was the well-known housing boom in Florida, which really took off around the year 2000 as housing prices soared well above the national average and the speculative buying and selling of properties skyrocketed (Montes Rojas et al., 2007). Relatively relaxed development laws and significantly reduced state oversight provided the regulatory context within which the housing bubble could grow. Riding the real-estate and construction wave that accompanied the early 2000s housing boom in Florida pushed state-wide unemployment well below the national average, which was historically quite unusual for Florida. However, the benefits of the housing boom would soon come crashing down as the bubble burst and the chickens came home to roost around 2007 (figure 2). Those states, such as Florida, which experienced the highest rates of unemployment also had the highest proportions of “sub-prime” housing foreclosures after the collapse, leaving people without homes or jobs (Martin, 2011).

⁴ For a more general critique of the corporate reliance on commons, see Sayer, 2014: 139-150.

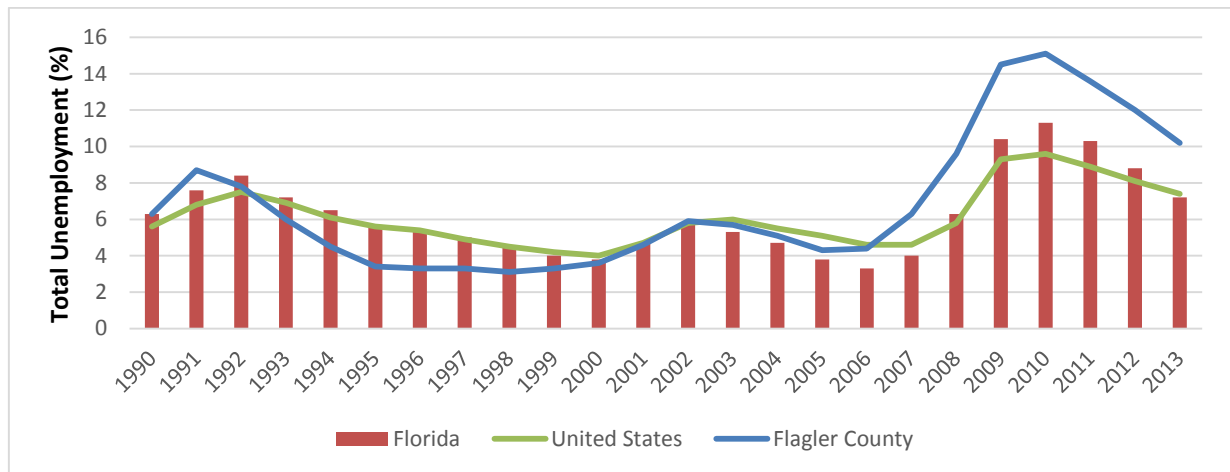


Figure 2: Unemployment at the federal, state and county level. Source: United States and Flagler County- U.S. Bureau of Labor Statistics; Florida- Florida Department of Economic Opportunity

The growth of Florida’s housing bubble and its subsequent deflation was the hell-spawn of a combination of poor spatial and financial regulation at multiple scales. The first relates to a lack of coordination between and control over housing construction projects in places like Florida (many of which were built purely on speculation and left standing as ghost towns of brand new homes after the housing collapse, see for example Rab, 2009) while the latter relates to access to loans and other financial instruments of home owners and prospective buyers. As Martin (2011) has pointed out, the housing bubble and related financial crisis is a prime example of the “glocalized” nature of contemporary neoliberal political economy, where local and state economic development decisions can have impacts that span far beyond administrative boundaries to national and even international economies, and vice versa. The multi-scalar causes of Florida’s housing bubble are significant; however, the role of the state in aggressively attracting investment and its “hands-off” approach to controlling growth and development provided the context within which the seeds of financial crisis could germinate and grow.

Of course, the continued push from business and state elites to reduce or constrain the role of state oversight in spatial planning in Florida was not part of the original GMA plan. Instead, these concerted efforts marked early, somewhat disarticulated attempts to instill (knowingly or not) neoliberal policy logics at the state level in the interest of economic growth. Such attacks on the basic principles of growth management were and continue to be echoed today by neoliberal-conservative organization and intellectuals (e.g. O’Toole, 2009 and Florida, 2016). In this way, the incremental infiltration of the growth management institution by neoliberal policy reforms throughout the 1990s produced the context within which excessive speculation and housing construction would take hold, exacerbating the financial crisis which itself provided the further impetus for restructuring the GMA in Florida. This “failing forward” characteristic of neoliberalization allows for neoliberal reform

programs to be both the architects and the benefactors of political and economic crises, using such opportunities to further deepen policy and regulatory transformations which build on earlier, if disarticulated, advances.

While Governor Charlie Crist struggled to curb unemployment and restore confidence in Florida's economy during his tenure between 2007 and 2011, it was the 2010 gubernatorial election between Democrat Alex Sink and Republican venture capitalist Rick Scott which brought growth management back into focus as a target for further neoliberal reform. Scott, beyond spending some \$78M of his own wealth on the campaign, beat out Sink with a campaign message centered on job creation and de-regulation, proclaiming victoriously during his acceptance speech that "Florida is open for business" (The Palm Beach Post, 2010). Upon entering office in January, 2011, Scott took particular aim at the GMA and sought, with the extensive support from development lobbyists (Deslatte, 2011a), to completely reconstruct the 30 year growth management institution with the ultimate goal to put planning "back where it belongs" at the local level. This restructuring simultaneously served as an opportunity to slash public spending and downsize public agencies, for example the DCA. Stroud (2012) has termed this attack on growth management a "counter revolution", a reference to its oppositional stance to the "quiet revolution" of large-scale land use planning popularized in the 1970s, of which Florida was a front-runner (Bosselman and Callies, 1971).

An obituary for Florida's growth management: diving deeper into a localized future

The Community Planning Act (§163.3161(1), F.S.), as the revised growth management legislation is known, was signed into law in 2011 by Governor Rick Scott which, for many, sounded the death rattle of Florida's 30 year experiment with comprehensive growth management (Tampa Bay Times, 2011; Klas, 2011; Deslatte, 2011a). An excerpt from Scott's 2011 gubernatorial inaugural address anticipates the breadth and depth of these changes, and offers a window into the neoliberal priorities and anti-regulatory position from which he began his tenure as governor:

Faced with a deep recession, some say the answer is to expand the role of Government. That's the approach the Administration chose to take in Washington. It's the **WRONG** approach. It requires magical thinking to expect Government to create prosperity. Government has no resources of its own. Government can only give **TO** us what it has previously taken **FROM** us—minus a huge cut for the government middleman. A lean and limited Government has a role to play in providing a safety net. But prosperity comes from the private sector... Florida has to offer the best chance for financial success. Not a guarantee -just the best chance. Three forces markedly reduce that chance for success—taxation... regulation... and litigation. Together those three form "The Axis of

Unemployment”. Left unchecked they choke off productive activity... Unless they are pruned, regulations grow like weeds. While there are SOME regulations that are essential for health and safety, and others that are essential to the protection of our priceless environment, it’s PAST TIME to demand that every regulation be re-evaluated. We will conduct a top to bottom review of all state regulations and weed out unnecessary ones that hinder job creation (Scott, 2011; emphasis in original).

The GMA was among the first bushes to be trimmed, or, perhaps more accurately, to be uprooted. The newly adopted Community Planning Act policies substantially transformed the basic functions and purpose of Florida’s growth management institution from “controlling future development” to “managing future development consistent with the proper role of local government” (§163.3161(2), F.S.) (Florida Land Development Regulations, 2011). The proposed re-regulation of the GMA appeared in tandem with cries from business-oriented organizations such as the Florida Chamber of Commerce that Florida’s “economic freedom was eroding” (Florida Chamber of Commerce, 2011-2016). Among the many changes to the legislation, several stand out as particularly characteristic of deepening neoliberalization. All of these have significant consequences for the future of growth management in Florida and for the possibility of fulfilling environmental conservation goals in particular.

One major adjustment to the GMA was the passing of Fla. Senate Bill 2156 (2011) which effectively dissolved the DCA, which had historically been responsible for oversight of the GMA since 1985, and transferred its growth management functions to the newfangled Department of Economic Opportunity (DEO) (Shelley and Brodeen, 2011). The elimination of the DCA as a separate state entity and its incorporation into the DEO was accompanied by a significant reduction in staff and funding available for oversight of growth management activities, which is indicative of the state’s underlying goal of reducing its role to “ad hoc protection of yet undefined ‘important state and regional resources and facilities’, with minimal administrative resources devoted to the task” (Stroud, 2012: 414-415).

In addition to transforming the agency responsible for over-sight, substantial changes were made to the process for making comprehensive plan amendments. The previously set limits on the frequency and geography of local comprehensive plan amendments have been removed and the approval process streamlined, making it much easier for local governments to amend local comprehensive plans without regulatory control by regional or state growth management agencies. In fact, as Shelley and Brodeen (2011) point out, “the local government is no longer required to send a copy of

the amendment to the state land planning agency, nor can the state land planning agency intervene in any challenge to a small scale plan amendment”.

Furthermore, the ability of third parties to challenge comprehensive plan amendments, development projects or permits has been fundamentally re-regulated, shifting the burden of proof from the initiators of the change or project to the third party challengers. The adoption of House Bill 993 by Rick Scott, which was strongly supported by the Florida Chamber of Commerce, ensures that “any non-applicant third party bringing claim against a permit has the burden of ultimate persuasion and has the burden to prove the case in opposition to the permit through presentation of competent and substantial evidence” (Florida Chamber of Commerce, 2011). Challenging future development projects will be substantially more difficult and costly for concerned citizens and activists hoping to diminish harm to their local communities and environment. Adding insult to injury, local "Hometown Democracy" efforts to put comprehensive plan amendments to public votes have been banned (Deslatte, 2011b).

Finally, the state’s long-held (and long under-funded) mandate for local governments to adopt management policies regarding concurrency (one of the original 3C’s) for transportation, schools and parks and recreational facilities has largely been eliminated, with many of them being made optional. This means that the burden of meeting concurrency requirements, which historically had been placed via e.g. impact fees on developers whose projects would have adverse impacts on public infrastructure and facilities, has in many instances been shifted to local governments who are now responsible for controlling the impact of growth on public services and infrastructure. Given that these requirements were previously state-mandated, but are now locally optional, their potential removal by local governments in the interest of attracting investment is certainly possible, and seems probable. While “it remains to be seen” what impact removal of the state mandate will have, it is telling that any rescinding of optional concurrency provisions, which must be pursued via comprehensive plan amendment, is not even subject to state review (Shelley and Brodeen, 2011).

What these changes in Florida’s growth management institution mean largely depends on the sector of interest. For development interests and financial capital, it is likely a big win. For other social and environmental programs which heavily rely on state investment and maintenance, the future seems less bright. For example, while Florida has historically relied on substantial state support for land acquisition and management in the interest of conservation, under the newly reformed growth management institution, this is largely expected to take the form of “Rural Land Stewardship” which, perversely, relies on the opening up of rural areas for development as means to conserve them. Basically, land is expected to be conserved through a sort of off-setting approach to urban

development in rural areas, where developers would be required to offer “conservation easements” proportional to their projects. Glenn Storch, a longtime Daytona Beach-based environmental lawyer for the large land owning corporation Miami Corp., seems optimistic about the approach, stating that “[Rural Land Stewardship] is seen now as a model for how we can preserve wildlife corridors... From an environmental standpoint, this is the way we’re going to be able to proceed in the future. We have no money to buy conservation land anymore” (Deslatte, 2011b). This paints a picture of a conservation future “beyond” the state, with corporate capital providing the means to conservation ends. A less enthusiastic response comes from Eric Draper of Audubon of Florida, who solemnly warns, “People are going to wake up in a couple of years and see the results of this growth management and say, ‘What can we do to keep our countryside from being chewed up by development’... And the answer will be nothing” (Klas, 2011).

Environmental degradation, growth management, and prospects for the future

“The history of Florida”, wrote Charles Richards Dodge in 1894, “is a story of sanguinary conquest” (Oppel and Meisel, 1987). Looking back into Florida’s long and complicated past can be a depressing undertaking, as C. R. Dodge suggests. But for many throughout history, Florida has also represented the possibility of a better future. For Juan Ponce de Leon in 1513, (La) Florida was a land of fortune and, at least in folklore, the potential site of the fabled fountain of youth (Gannon, 1996). For the Seminole Nation in the late 18th century, Florida was a refuge from colonial settler violence and offered the possibility of recovering some semblance of an ancestral homeland (Walton, 1977). For 20th century American retirees, Florida offered the picture-perfect life-of-leisure after a long life of hard work (Mormino, 2005). Today, nearly 100 million people visit the state annually as tourists or seasonal residents (VISITFLORIDA, 2015a). It is, however, becoming almost impossible to ignore the fact that the incredible transformation taking place in the Florida peninsula continues to degrade the state’s environment to an almost unfathomable degree, leading some critics to speculate whether Florida is “just one new development away from environmental ruin” (Cox, 2009).

Environmental degradation is nothing new in Florida, as mentioned earlier, but the scale and intensity of change has never been greater. More people and a bigger economy mean more productive activity, more houses, more roads, and more use of water, minerals, and land from the natural environment. Curbing such wide-spread environmental change and preserving essential habitat that maximizes biodiversity and ecosystem function while maintaining adequate standards of living in human settlements has traditionally been the job of some centralized (ideally accountable) authority. This is for good reason, because environmental policy decisions and their enforcement stretch across multiple spatial domains and thus require higher-level regulatory entities and

aggregate resource pools to be effective (Hägerstrand, 2001). Absent such mechanisms (or the minds to use them), piecemeal conservation prevails which is generally inadequate to curb ecological degradation resulting from, among other things, habitat fragmentation and other cumulative human impacts (Primack, 2006).

The GMA in 1985 can be seen as the pinnacle of the rising wave of regulatory reform in the 1960s and 1970s at federal and state levels, which included the Clean Air and Clean Water acts, the Endangered Species Act, and the creation of agencies like the U.S. Environmental Protection Agency and the Florida Department of Environmental Protection. By putting in place a nested system of regulatory policy infrastructure which could help guide and coordinate future development, the GMA had the rare potential to control environmental change effectively at multiple levels of organization. This possibility, however, has at best been unevenly realized, as changes to the growth management institution have typically clashed with parallel efforts to conserve land (e.g. through the Florida Forever Fund) because of a lack of legal or policy mechanisms for directing development to suitable places (Higgins and Paradise, 2007).

The defanging of regional development councils, underfunding and the subsequent relaxation of state enforcement, and the increased intensity of marketing efforts all contributed to a disconnect between environmental conservation efforts and actual GMA policy implementation (or lack thereof). This includes the substantial gap between local development activities and the upholding of growth management policy goals such as compact development and environmental preservation. For example, when reviewing the effectiveness of local environmental planning in Florida between 1993 and 2002, Brody and Highfield (2005) found substantial deviation between the number and location of granted wetland conversion permits and the formally intended land-uses as represented in local comprehensive plans, reflecting a pervasive lack of local, regional and state coordination and enforcement. They also found that the number and area of these permits increased in volume and density overtime, and resulted from a geographically differentiated mixture of “small, isolated patches” and “rapidly expanding” developments. The “piecemeal” conversion of wetlands, which on aggregate can have unintended though substantial and detrimental effects on over-all wetland cover, is a classic case of what Odum (1982) called the tyranny of small decisions. The other side of the coin, of course, is the brutality of large decisions, including state-funded water management projects and post-modern mega developments like those increasingly found in wetland-rich southern Florida (Cox, 2009). The result has been a substantial loss of wetlands statewide, despite their preservation being an explicit part of several policies in the SCP; the rest of the United States, however, has continued to head in the other direction (figure 3). At the same time, Florida’s rivers are increasingly viewed as

among the most endangered in the country, with the Apalachicola River topping the most recent list (American Rivers, 2016, also see Spear, 2016).

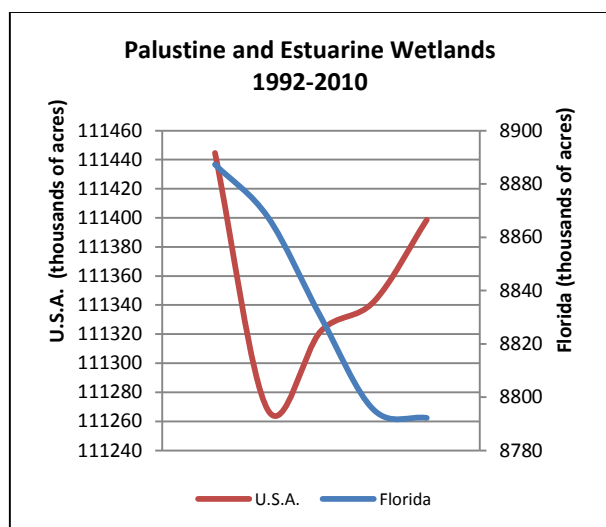


Figure 3: Change of wetland coverage in Florida and the United States. Source: United States Department of Agriculture

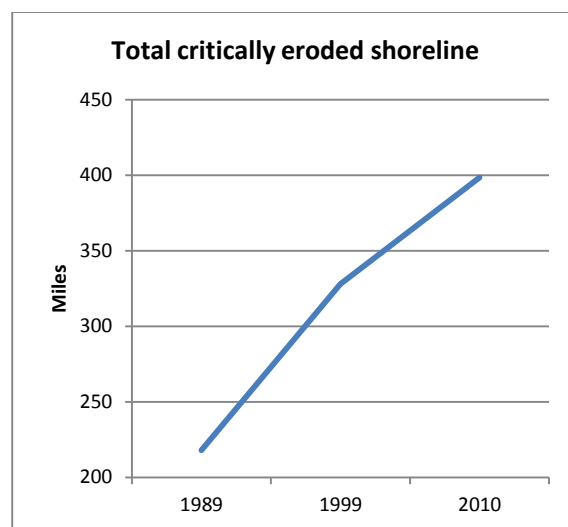


Figure 4: Growth in Florida's critically eroded beaches, 1989-2010. Source: Florida Department of Environmental Protection

Another alarming environmental problem which requires large scale planning and coordination to effectively address is coastal erosion (Swaney et al., 2012). However, in the absence of effective policies for controlling and directing coastal development, the urbanization of Florida's coastlines, following the more or less global trend, has continued relatively unabated (Pilkey and Cooper, 2014). The fortification of infrastructure against coastal hazards, which is generally a question of monetary costs versus benefits, can be undertaken by state or private actors, in some cases against the will of local citizens, given current nationwide permits issued by the Army Corps of Engineers and the political geography of state transportation networks (Boda, 2015). The result has been an increase in density of coastal infrastructure in the state, which in turn has increased the prevalence of conflict between coastal processes and manmade structures. The Florida Department of Environmental Protection (2015) deems any segment of the shoreline where erosion and recession of the beach or dune system has occurred to the point that "upland development, recreational interests, wildlife habitat, or important cultural resources are threatened or lost" as "critically eroded". Since the adoption of the GMA and the SCP, the latter which contains a specific policy section on coastal resources, critical erosion has continued to increase (figure 4), causing significant damage to a variety of coastal and marine ecosystems.

Given that sea-level rise is expected to accelerate, with widespread implications for Florida's densely populated coastlines (Florida Oceans and Coastal Council, 2010; Cox and Cox, 2015), it does not bode well for the future of Florida's low lying beaches and waterways that most lands that are vulnerable

to sea-level rise are actually slotted for development in local plans along the Atlantic coast, the majority of which, given current Army Corps of Engineers National Permits, are likely to be protected against the rising seas to the detriment of coastal habitats (Titus et al., 2009). Recent accusations of Rick Scott's administration "banning" climate change from use in official state language (Korten, 2015) add further reason to worry about Florida's future in a climate changed world. The localization of environmental management decisions under neoliberalized growth management is likely to exacerbate these problems and make the necessary larger-scale solutions even more challenging to formulate and implement.

The "successes" in Florida's conservation history have largely come from initiatives such as the Florida Forever Program for land acquisition (Florida Department of Environmental Protection, 2016) and fund raising initiatives like the "specialty license plates" program for funding endangered species recovery, including programs specific to the Florida Panther, the West Indian Manatee, and the state's numerous species of sea turtle. These various initiatives are largely coordinated by state agencies like the Department of Environmental Protection and the Florida Fish and Wildlife Conservation Commission. The hard fought successes in managing these endangered species, some on the brink of extinction, have come at the cost of millions of tax payer dollars and countless hours of volunteer work by concerned citizens. Conservation efforts for the West Indian Manatee alone have received over \$750 Million in total federal and state funds as of 2012 (U.S. Fish and Wildlife Service, 2012). However, under the increasing pressure of neoliberal reform policies, the thinning down of state contributions poses a serious threat to the future of Florida's conservation agenda. Hard-fought but expensive progress like that made for the Manatee is now being used by neoliberal politicians and development and tourism interests as an excuse to remove the very programs and protections which facilitated its recovery in the first place (Staletovich, 2016a). In addition, since the financial crisis began around 2007, downsizing and cuts have been made to a variety of other significant conservation agencies and programs. The Department of Environmental Protection, for example, has lost nearly half of its annual budget allocation since 2007 (figure 5). At the same time, the Florida Forever Program, which had received around \$300 Million dollars in public support annually since 1990, has all but lost its funding all together (figure 6).

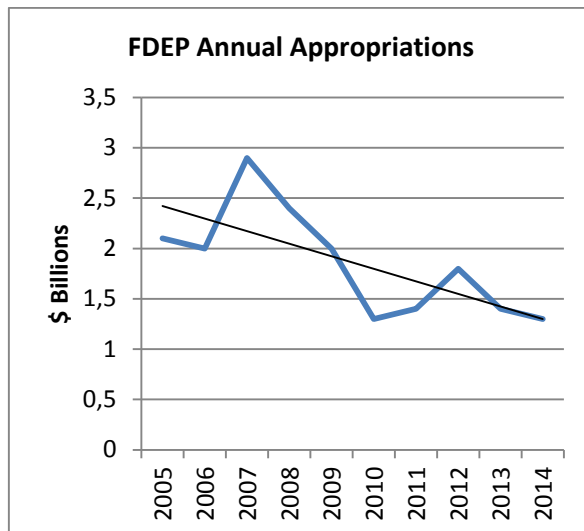


Figure 5: Cuts to Florida environmental agency funding. Source: Sherman (2014)

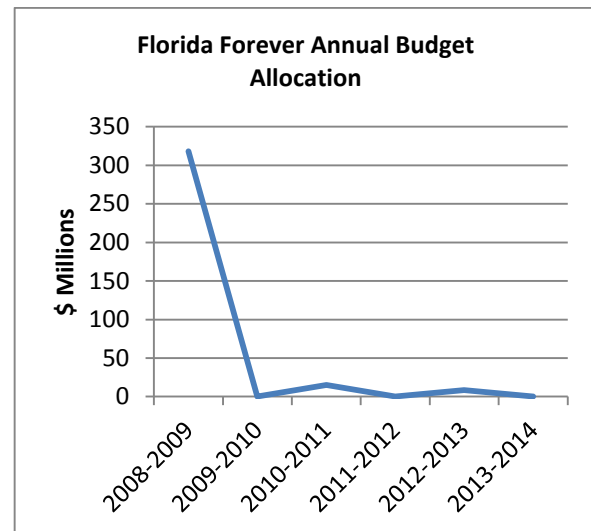


Figure 6: Budget cuts to Florida's premier land acquisition program. Source Dunkelberger (2014)

In a recent attempt to reanimate Florida's conservation program aimed at land acquisition and management, Florida citizens passed the Florida Water and Land Conservation Initiative, Amendment 1, which was expected to raise some \$10 Billion over the next two decades for purchasing and managing environmentally sensitive lands. The ballot initiative read "Water and Land Conservation - Dedicates funds to acquire and restore Florida conservation and recreation lands", and it passed by popular vote with a 3-1 margin in favor (Ballotpedia, n.d.). While this seemed like a clear victory for the conservation movement and its fight against budget cuts and regulatory downsizing, the neoliberal reality appears to be substantially different than what voters bargained for. As the Miami Herald recently reported (Staletovich, 2016b), Florida lawmakers, headed by Governor Rick Scott, instead intend to divert large portions of the raised funds to pay for base operations of existing agencies and programs, including salaries, vehicle maintenance, and risk management insurance. This has (rightfully, I believe) led to accusations that the legislator has turned Amendment 1 "on its head" by using money intended for conservation and land acquisition to pay other costs historically covered by general taxes, which then opens up opportunities for offering business further tax breaks (ibid).

While conservation agency and program funding is slashed or diverted, Governor Rick Scott has recommended record levels of public funding for the state's PPPs, \$100 Million to Visit Florida (Florida Governor's Office, 2015) and \$250 Million to Enterprise Florida, the latter which was flat out rejected by the state legislature, not in the interest of spending the money, say, on social programs, but under the auspice of not "distorting the free market" and in anticipation of falling future tax revenues (Bousquet, 2016). This prioritization of economic over conservation goals is indicative of the guiding neoliberal logic that has continued to spread through the state's institutions, as well as

down to local administrations. A recent example from Flagler County in north eastern Florida, which was among the fastest growing counties in the United States throughout the 1990s and early 2000s, and among the hardest hit in the financial recession (see figure 2), demonstrates the presence of this logic at the local level. County-level politicians, such as the County Administrator and Vice President of Tourism, have increasingly used the financial crisis as a motivation for opening up community assets to for-profit events, such as an historic ecological preservation known as Princess Place Preserve, considered the “crown jewel” of the county by many, which was proposed to host a Spartan extreme sports race in an attempt to attract revenue through sales and bed room taxes (FlaglerLive, 2015a). Some local residents argued the entrepreneurial move amounted to “pimping Princess Place”, even calling the pending event a “rape in the making” (Tristam, 2015). Strong and persistent resistance to the Spartan extreme sports event eventually led to its cancelation and relocation (FlaglerLive, 2015b), which, I believe, offers a sobering lesson waiting to be learned by conservation advocates regarding the reality of the political challenge facing Florida’s broader conservation movement in the future.

Conclusion: A wakeup call for environmental politics?

Such “pimping” of environmental assets, whether by local government or by state-sanctioned PPPs, is actually a rational outcome of the shift towards entrepreneurial urban and environmental governance given the fundamental, though generic guiding principles of neoliberal policy reform initiatives. Put lightly, this shift, which at least to me seems to clearly have taken place (even if incompletely) means that Florida’s natural environment and prospects for conservation are at best precarious- even in good times, economic development can cause significant environmental problems if ineffectively managed, but when crisis hits, the environment, which has been demoted to secondary importance as an “input” to marketing and growth strategies, is easily among the first to be re-regulated and sequestered in the name of efficiency and bureaucratic downsizing. The piecemeal but cumulative and long-term transformation of Florida’s growth management institution is indicative of what Lefebvre (2003) has called a revolution “from above”, where higher-level state-capital relations are put to work reforming, often behind the scenes, the regulatory landscape of society and the environment to their ends. As I hope has become clear from the exposition above, such neoliberalization processes are far from independent initiatives of nefarious business men, but instead heavily rely on the state, which has long been culpable in “giving away the family silver”, as

Andy Merrifield recently put it⁵, the purpose being to prop up neoliberal political economic interests by offering up public land, resources, and subsidies.

Such a “passive revolution”, as Gramsci (1971: 106-114) might have call it, in the logic and practice of urban and environmental governance poses a significant challenge to activists and concerned citizens interested in conserving the natural environment or maintaining social welfare programs. Not only are neoliberal reformers actively reducing the efficacy of historically available mechanisms for wealth redistribution and development control, more recent moves to deepen the entrenchment of neoliberalism as praxis has effectively destroyed those mechanisms entirely. What this implies for e.g. environmental politics is that, not only are activists and citizens charged with re-claiming the guiding logic of urban and environmental governance, but are further confronted with the daunting task of re-establishing the higher-level mechanisms and institutions which make large-scale initiatives possible. The political left, however, seems in many cases to be captured by what Jamie Peck called the “local trap”, where localism is encouraged and celebrated in and for itself, all the while the right has continued to gain more control over federal and state financial and political systems (Peck, 2013b). The challenge thus becomes not only to resist and subvert attempts to “pimp” public assets at the local level, such as the Flagler County case mentioned above, but to build coalitions within and between disparate social movements which share interests in reclaiming the state to pursue development for people, not for profit (Brenner et al., 2009; Purcell, 2009).

The brightest ray of hope, somewhat paradoxically, shines through the cracks of the neoliberal state itself, as neoliberalism’s necessity to exist in mongrel and hybrid forms means that its successes are always partial and open to contestation. Neoliberalism might be hegemonic, but hegemony does not imply permanence or impenetrability. As Stuart Hall (2011) has put it:

No victories are permanent or final. Hegemony has constantly to be worked on, maintained, renewed, revised. Excluded social forces, whose consent has not been won, whose interests have not been taken into account, form the basis of counter-movements, resistance, alternative strategies and visions ... and the struggle over a hegemonic system starts anew. They constitute what Raymond Williams called “the emergent” – and the reason why history is never closed but maintains an open horizon towards the future.

The major task for conservationists who hope to play a part in the counter-hegemonic movement against deepening neoliberal reform efforts is to “break free of the confines of austerity thinking”

⁵ Here I refer to comments made by Andy Merrifield during a lecture on Lefebvre and the Right to the City as part of the PhD course Critical Urban Theory in Practice, hosted by the Lund University Center for Sustainability Studies in Lund, Sweden in April, 2016.

(Spencer, 2012), to reimagine their shared interests with other counter-hegemonic movements, and to retool in a way that allows for integration of progressive programs across scales and through time. The ultimate goal must be not only to resist or subvert, but to construct and pursue a coherent and actually existing alternative to neoliberalism, pursued with an ambition along the lines of what George Monbiot (2016) recently called “an economic Apollo program”, in Florida and around the world.

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Like poets in times of dearth: The legitimacy crisis of science and social movements

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Abstract

In the face of economic, social and ecological crises what contribution can social scientists make to resistance in the form of social movements? Whether scientific knowledge has a particular contribution to make has, for some time now, been disputed, amounting to a crisis in the validity of science itself. In the face of compound crises this question has renewed relevance, but our answer is methodological rather than philosophical, as we feel befits the aim to contribute to practice. We begin with discussion of participatory action research (PAR) as a methodology exemplifying recent attempts to bring social theory to practice and find it often fails to provide for a contribution by social scientists, as scientists. We then outline our approach, which holds that while multiple forms of knowledge, both objective scientific knowledge and situated knowledges, can be involved in such resistance they have different roles. By objective we mean neither absolute nor perfect but rather demonstrably and communicably the case. This knowledge must be brought with humility to the movement but

can provide guidance on, for example, elements of movement strategy, such as the appropriate targets of demands and avenues for support. Next, we present cases which show how the receptive context for relativist theories of knowledge, and their application in practice is created and consolidated by funding regimes; streams of funds lend support to research and organizations promoting particular social theoretical approaches and, importantly, activist strategies, which ultimately undermine resistance. Finally, we conclude that opposition to this will an exercise of academic freedom and supplanting the concerns of generous funding foundations with attention to the successes and failures of social movements.

Keywords:

Social movements, environmental research, private foundations, legitimacy of science, post-modern theory

1. Social scientists in times of crisis

Holderlin, in his last elegy *Bread and Wine*, asked: “what good are poets in times of dearth?”, and today we could ask the same of social scientists. In the face of economic, social and ecological crises what contribution can social scientists make to resistance to the production and continuation of crisis?

Whether scientific knowledge has a particular contribution to make has, for some time now, been disputed by post-structuralists (amongst others), amounting to a crisis in the validity of science itself. In the face of compound crises this question has renewed relevance but our answer is methodological rather than philosophical, as we feel befits discussion of contributions to *practice*. Given the continuing struggle of millions of people in the midst of the still ongoing ‘Great Recession’, the problem may best be typified in the instance of the relation of academic knowledge to social movements. We begin with the example of participatory action research (PAR) in environmental research as an exemplifying methodology of recent attempts to bring social theory to practice. We show the shortcomings of the relativist approach often entailed in PAR, and similar approaches, and conclude that it fails to provide for a contribution by social scientists, as *scientists*.

2. Straight Story

But first, it is maybe worth remembering at the outset that the relation between academic knowledge and social movements need not be problematic at all. Perhaps the most current perspective in social movements’ studies is the one associated with Doug McAdam, Sid Tarrow, and Charles Tilly (2001). These authors have of course obvious sympathy of the democratic social movements they study, but their work points to much more than this. They provide an elaborate conceptual tool-kit corresponding to different components and moments of the social movements. This tool-kit, with concepts like collective, claims, target authorities,

framing etc. enables social scientists of different fields to bring in their particular expertise to contribute to the success of the social movements. For instance, a local environmentalist movement for clean, accessible water will articulate its demands differently, will target different authorities, or will seek alliance with different sections of civil society, depending on the movement's understanding of the drivers of the water pollution or water inaccessibility. All these obviously call for contribution not only ecologists, but even political economists.

It is a sign of the times that nowadays the relation between social science and social struggles is scarcely regarded as straightforward. It's ironic to remind ourselves that Marx's aspiration to 'scientific socialism' was motivated by the mission of providing the burgeoning labour movement in Europe with a scientific foundation. Not only the Marxists, but the economists of different suits saw no epistemological transgression (at least until very recently) to advise the labour unions on their wage demand.

3. Cognitive fogs

So, what stopped it being a straight story? When we see a leading figure in climate science bracket the role of natural science in determining our response to climate change and giving the future over to discussions of cultural constructions and warring values, it is hard not to admit that we are facing a crisis in science, or reason, and its societal role. Critics take aim at what is seen as the failure of reason to deliver the promise of modernity and indeed, in some formulations, its complicity in the disasters of modern times, from colonialism, to genocide and environmental destruction. But, this is not the first time that the principles of the enlightenment have come under attack. The German Idealism of Fichte and Schelling questioned the ability of reason to bring truth, favouring art and intuition. Almost a century later Nietzsche's perspectivism and declaration that God is Dead, rejected the possibility of universal truths in both the scientific and the moral sphere.

The post-modern theoretical and epistemological attacks on reason and science at large are too various and numerous to recount here. What can be said is that, generally, the role that these critiques take up in political resistance, in place of reason dethroned, is limited to a certain kind. A typical example comes from Foucault's suspicious genealogies (following Nietzsche) of social norms, which reveal power to be diffused throughout society. Political resistance, lacking a target, becomes a matter of giving voice to marginalized groups, taking the side of the underdog. Similarly, Laclau and Mouffe's strategy for radical democracy raises *all* difference and dissent to the task of resistance, removing any solid determination and so any role for objective analysis, resistance becomes solely a "performance of collective will" (Rustin 1988). In both instances resistance *as* marginality or difference is celebrated, but cannot be assisted by rational thought.

Movements in environmental research

Similar patterns to those described above are seen with the approaches to social movements within environmental research. Within our particular field of study and teaching, sustainability studies, the approach of participatory action research (PAR) is the most prominent attempt to bring knowledge from academia to social movements and other contentious political struggles. The approach of transdisciplinarity is also popular but tends to be used mostly in engagement with state-politics and private enterprise. Recent work in both of these approaches commonly demonstrate the problems, described above, associated with post-modern scepticism of reason. Though while transdisciplinarity tends to depoliticize by assuming that problems can be solved through participation and consensus (e.g. Lang et al), PAR accepts a more contentious political reality. We will focus on PAR due to its more specific engagement with activism and social movements. We acknowledge that PAR is a field with a long tradition and multiple different approaches. For the purpose of this paper we are talking specifically about the branch of PAR researchers (e.g. ref) that deal with politically oriented movements. As such, the problems we

are talking about likely stem from the current research culture when encountering this particular research milieu, rather than the methodology itself.

The case of PAR

There are two problematic approaches within PAR to the production of knowledge with input from movements with the aim of furthering their goals. They both start from the recognition that in seeking to address environmental problems that have political dimensions, it is necessary to “take sides”. This generally means siding with those people who suffer the worst effects of the problem and often occupy the weaker social position. The aim with PAR is to produce knowledge, through deep dialogue and experiential interaction with these groups, which will further their goals in the political struggle that has emerged. The first of the approaches we examine is based on an intuitionist epistemology and the second on different varieties of standpoint theories and situated knowledges, both leave little room for social science to have a particular role in the resistance of crisis.

The first approach seeks to leverage an intimate understanding of people’s subjective experiences (e.g. Brydon-Miller et al 2003; Glassman and Erdem 2014). Truth (if they are so bold as to use such a word) of the situation is established through sympathetic sharing of experiences and dialogue referring to lived experiences. While this is a plausible, if partial, research method, it is what is done, or rather not done, with this knowledge that renders the approach somewhat ineffectual. Firstly, it is unclear how conflicting knowledge generated through these methods can be decided between, reconciled or overcome. In fact there is small mention of the possibility of conflicting knowledge. Secondly, and more egregiously, this knowledge is not deployed in reasoned critique of the social drivers of the environmental problem but more for giving ‘voice’ and valorization of marginalized cultural practices. Resistance becomes mostly discursive and so research becomes more a form of advocacy than analysis. Streck (2014) summarizes the goal as being to, “develop knowledge that promotes

and strengthens a shared world view that aims at social justice and recognition of differences.”

A subgroup of this approach builds on the work of Paolo Freire but the goal here is more pedagogical, toward a vaguer empowerment rather than concretely contributing to the achievement of movement goals.

The second type of approach builds on standpoint theory and situated knowledges, for example Rosendahl et al (2015). In the tradition of standpoint theorists and feminist work on situated knowledges i.e. from Lukasc (1971) to Haraway (1988), the epistemic privilege is not held to be immediately available to the marginalized, or those researching them, in the previous intuitionist sense. Rather, it must be uncovered through critique, particularly through the critique which occurs when the situated knowledge is deployed in political activity. Without getting into a long epistemological discussion, it appears that the conclusion of standpoint theory inspired PAR is that theory generated in political practice of the marginalized remains immune to external critique (meaning socially rather than paradigmatically external). This implies that it is not the intention that the force of the analysis be based in objectivity, or the strength of the better argument, to make its case and so, once again, this appears to amount to advocacy, at least it would to external observers, including those in power.

In these approaches, knowledge from the social sciences describing the dynamics of political struggles is mistrusted and seen as an exogenous imposition. As a result, the process of engagement tends to become the object of the research and so theory on this process is constructed and reconstructed. This leads to the process of engagement becoming conflated with the mechanisms of social change, leaving out other theory that refers more directly to the latter. We question if it is the most immediate or effective way that social scientists could contribute to resistance, or if indeed it provides a contribution outside of advocacy.

4. Academic knowledge and social movements

It would be simplistic to put down the legitimacy crisis of science to epistemological cynicism. The practice of science as a social institution must shoulder its share of the blame. In a further section below we will touch upon the sociology of academic institutions. In this section we take up briefly two opposite views current in the academic world that in our opinion have in opposite ways contributed to casting doubt on the role of academic knowledge in social movements.

The first view is the good old enlightenment role of science. Paul Reitan, Professor Emeritus from University at Buffalo, U.S.A., who likens society's environmentally destructive behavior to drug addiction, echoes this point: "Effective education is the best treatment for blindness resulting from ignorance... Education helps to remove the scales from our eyes; it can cure our blindness" (Reitan, 2005). In the specialist educationalist literature this model is curiously dubbed as 'information deficit model', and its basic assumption, widely held in sustainability science (Wiek et al, 2012), is that a better understanding of the problem offers the solution to the problem. Maybe the only advance on the days of Enlightenment is the focus of the advocates of 'information deficit model' on the way scientific knowledge is transmitted to lay audiences, particularly regarding pedagogical and communication techniques. Hence the new field of 'science communication' (Bak 2001, Sturgis 2004). The preoccupation here is for science to influence policy or public opinion, hence the proliferation of handbooks and articles of popular writing and communication skills for scientists generally (Baron 2010). There is no need to recount the standard critique of such naïve version of enlightenment. It suffices to repeat that such beliefs on the part of the academy should certainly share the blame for the cultural clichés of ivory tower and superiority-complex ridden intellectual. The hubris associated with this view of the role of academic knowledge can only have the adverse consequence of making academic knowledge irrelevant to social movements.

The diametrically opposite view would reverse this privileged position of academic knowledge. The best-known version of this view is of course the one associated with Donna Haraway

(1998) and her celebrated term ‘situated knowledge’. Ostensibly in the name of equal worth of all human beings, this view denies any objectivity for academic knowledge. Academic knowledge has no specific contribution to make to social movements. Scientific knowledge is simply one point of view among several, and its contribution is, as briefly discussed in the previous section, at best as an ingredient added to the indigenous, situated, or any form of non-academic knowledge.

This view, which we will use the shorthand of ‘situated knowledge’ for it, is indeed more dominant in the academy, and more pertinent to our discussion of examining the contribution of the academic knowledge to social movements. So we will discuss this in more detail in this section. Two introductory points may be useful to make here regarding the view of ‘situated knowledge’. First, on different types of knowledge, and second, on the meaning of objectivity of science.

That science is not the only form of valid knowledge has been known at least since Aristotle. The point here is not of course the validity of Aristotle’s typology of knowledge (with his inescapably pre-modern conception of science), but the fact that he saw no reason to compare or judge the superiority of different types of knowledge; rather, he simply assigned them different jurisdictions. In the contemporary schools of philosophy too there is usually a clear distinction between theory of science and theory of cognition as such. Nobody would deny the validity of the knowledge of the victims who may say, ‘I know what it means to be hungry’, ‘I know what it means to be tortured’, ‘I know...’ The experiential knowledge is obviously subjective, but its subjective-ness does not diminish of its validity. The validity of science comes from its objectivity. In view of much misunderstanding that comes with popularization of post-structuralism, it has to be repeated that ‘objective’ does not imply perfection or absolute. Objectivity of science simply implies that the scientific knowledge are *communicable* from one subject to the other, and in this sense are not subjective. In other words, objectivity of academic

knowledge simply implies that if the same protocol and procedure are followed, the same result will be reached.

Social movements and the contribution of social science

If one takes this view of science and experiential knowledge, it is easy to see that both social science of the academics and the ‘situated knowledge’ (experiential knowledge) of the activists have an important role to play for the success of the social movements. Every social movement occurs in a concrete situation. Every social movement is a specific case with some perceived issues. What social science can contribute to each case is certainly not repeating the generalities of whatever theories. Perhaps an apt metaphor is the relation between physics and what a car mechanic does. When you take your broken car to the garage you won’t be impressed if the mechanic lectures you on the Newton’s principles. You want your car fixed, and a good mechanic, precisely relying on the science of physics, can tell you how your car may be fixed. What is crucial in relation to social movements is not to take theories as what is on offer from social science to social movements, but as tools to be applied to concrete situations in order to make sense of the situation. Simplifying to the extreme, Charles Tilly’s framework for the study of social movements may look like a list the components: the collective agent, the claims, the target authorities, the framing of the issue, the repertoire, and the strategy (McAdam et al 2001, Tilly 2004; Tarrow 2011; Kolb 2007). The application of concepts and theories of social science to the specific conditions of a particular social movement could, for instance, identify the drivers of the problem, and may contribute in bringing more clarity to any of these components of the movement such as framing the issue better or formulating its claims more precisely, etc. Maybe this section should end on a note about the interaction of the academics with the social movement activists. If we accept that the experiential knowledge of the activists and the theoretical knowledge of social scientists correspond to different spheres, it is not simply a moral injunction that academics have no reason to be condescending towards the activists.

Unlike the advocates of co-creation of knowledge we saw in the previous sections, both the academic knowledge and the knowledge of activists are valid exactly because they have their own unique contributions. But are indispensable in their own rights and the truth is not somewhere in between. Making theoretical analysis accessible to social movements, to their leaders and activists is an art in itself, maybe we should call it another type of knowledge. So, academics who wish to be useful for the social movements as academics, must learn this non-academic knowledge too. They can only learn it the hard way, by getting their hands dirty and accepting the role of another non-privileged participant in the movement.

What we discussed briefly in this section might be controversial in some academic corners, but it is nothing new. As we stated at the beginning of this paper, the relationship between academic knowledge and social movements was a straight story for a long time. Maybe the more apt question is to ask is what happened that changed this.

5. Sociology of designed academic obsolescence

There is no shortage of critiques of the ability of post-structural theory to answer the questions it seeks to address, many are forceful and far more convincing than ours, see for example Anderson (1983) and Habermas (1987). Conversely, we may acknowledge incisive insights, such as in Foucault's (1978) history of sexuality which brought needed attention to the micro-politics of sexual norms and questioned the level of freedom sought through pursuing sexual liberation. However, whatever our judgement, the successful spread of theory is decided not only by academic debate. There are sociological reasons for the dominance of particular approaches (for Kuhn they are decisive). In this case, there are sociological reasons for the widespread dominance of approaches that limit the social scientists ability to support resistance within the academy. In delving into this sociology of designed academic obsolescence we will again refer to research that is actively engaged in trying to achieve social ends in collaboration

with social movements. It begins with the effect of financial crisis on the operation of universities.

Commercialization in the academy

Though the commercialization of universities has been going on for decades, the rate and extent of it increased around the late seventies and early eighties, in response to funding cuts and tightening relationships between universities and business (Bok 2009). This not-so-slow creep of the commercialization of education is visible around the world from the recent introduction of fees in Swedish universities, to the shutting down of economically unnecessary social science departments in Japan, to the recent crossing of the \$1 trillion mark in U.S. student debt. With it comes an incipient instrumentality (Giroux 2003), in which students are treated more and more like customers and quantity of publications becomes the central goal for research. As neoliberal governments and universities direct more attention to economic impact and innovation (Etzkowitz 2001) and private funding foundations grow in importance (Roelofs 2007) we fear the ability to carry out research outside of the interests of these bodies; the dependency on funding cedes immense power over the direction and concerns of social science to funding bodies and their agendas. As Giroux sums up the situation:

”The traditional academic imperative to publish or perish is now supplemented with the neoliberal mantra “privatize or perish” as everyone in the university is transformed into an entrepreneur, customer, or client, and every relationship is ultimately judged in bottom-line, cost-effective terms. As the university is annexed by defence, corporate and national security interests, critical scholarship is replaced by research for either weapons technology or commercial profits” (Giroux 2009, p. 5.).

This this stifling academic climate has arisen in close relation to, and as part of, the continual crises that social movements resist.

Foundations, funding and resistance

Giroux, in the previous quotation, stops at the diminishment of critical research, but why might not the tone of this critical research also be influenced by commercialization? There is undoubtedly tension between the academic freedom to pursue scientific curiosity and the desire to secure funds, when the latter often hinges on selection of the approach favoured by the funding body, be it state or private.

In environmental research these days the resilience approach is such a favourite. Resilience is a concept that comes from ecology where it describes the ability of ecosystem functioning to persist in the face of disturbance. In recent years it has been applied to communities and nature combined, based on an ontology of complex adaptive social-ecological systems. Though the concept is unproblematic, and broadly accepted, in ecology, many (most) social scientists see it as highly problematic when applied to society for its depoliticizing and conservative implications (Cote and Nightingale 2012; Olsson et al. 2015). Nevertheless, resilience has become a popular buzzword with funding agencies. Foundations such as the Rockefeller foundation (Da Silva and Morera 2014) and the Meridian Institute (Meridian Institute 2016) have been pushing a program of urban development and climate change adaptation couched in this conceptualization. Both foundations have been partnering with municipal governments at the same time as providing funding to university researchers for research on resilience.

In response to Hurricane Katrina in 2005, money rolled in to New Orleans from such foundations, commissioning studies with policy recommendations and designing municipal action plans for resilience. These plans while nominally seeking to address inequality and improve the lot of the poor, in some instances ignored or dismissed their concerns. An article

co-authored by Robert Kates, a ‘founder’ of sustainability science, commissioned by the department of homeland security, depicted those critical of plans to build a “safer, better new Orleans”, over concerns that this meant displacing poor black residents, as conservative and reactionary (Colten et al. 2008). A Rockefeller commissioned report, from which a city resilience plan was developed, pays lip service to inequality but looks more like a neo-liberal development plan with added emphasis on security (Da Silva and Morera 2014). At an ideological level Adams (2013) shows how promoting resilience fit well with the narrative of the hurricane as an ‘act of god’ to which the appropriate response is self-reliance. This echoes the use of the concept of self-determination that was used to co-opt African American resistance to the privatisation of public housing in the same city a few decades previously (Arena 2012). Thankfully, some activists have recognised the ideological force of this concept and are trying to switch the focus back from “resilience to resistance” (Gulf South Rising 2015).

Movements to defend public housing in New Orleans from privatisation provide another example of how foundations influence the application of theory to practice in social struggle. The interference of funding foundations through the financial support of particular theory in the practice of local politics directly hindered the action of social movements, and the efforts of a scholar working with them. John Arena is a sociologist who was actively involved in the resistance to the demolition of public housing in the aftermath of the hurricane. In his book “Driven from New Orleans” (2012) he recounts his experience as part of a coalition of grassroots activists – mostly residents of the public housing developments, women’s organizations, some members of political groups and researchers – who campaigned and demonstrated to resist the latest step in the neo-liberal redevelopment of the city. He describes how they were attacked by more organized non-profit organizations on the grounds of their mixed racial make-up for not understanding the needs of black people, them not being black, and were declined support from potential allies on this basis. These non-profit organisations

later remained silent or even supported the redevelopment of public housing, delivering it into private hands. Arena explains how the funding regimes for these NGOs, with foundations as the co-ordinating organ at the top, supports them pursuing single issues based on the particular identities and suggests this as a reason for their disagreement of the cross-class cross-race coalition. The support of this version of identity politics by foundations, through how it distributes its funds, also gives power and money to the more organized NGOs, attracts potential activists with the promise of employment, and consequently inhibits the grassroots activist movements (Roelofs 2007).

6. Resistance in the academy and resistance in society

Now we come to reflecting back on our original question i.e what good are social scientists in times of crisis? Our short answer is that we can be useful for social movements, as *scientists*. We have detailed the approach to knowledge and theory that we believe would allow us to be so, but also the heft of social pressures that can inhibit us in practice. We recognise that to be practically useful to social movements in response to crisis, we must at the same time try to fight back the trend of commercialization and defend academic freedom and the independence of universities in the face of the infringement of economic powers, like those acting through private foundations. We are not trying to put the burden on individuals to sacrifice their livelihood in the name of integrity, rather that the response from academia should also be collective. The resistance in society that we seek to aid will have to be matched and united with a similarly organised resistance within the academy.

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Acknowledgements

We would like to acknowledge the work of our colleague Chad Boda who contributed to an internal seminar paper, on which parts of section 3 of our current paper draws.

‘RELOCALIZATION AND PREFIGURATIVE MOVEMENTS’ AS SOCIAL
NETWORKS AGAINST GLOBALIZATION: THE CONSTRUCTION OF LOCAL
ALTERNATIVES TO GLOBAL CAPITALISM

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ABSTRACT

Drawing upon an older periodization concerning worldwide social movements, we can say that the current decade is the first one of a period characterized by the strong presence of ‘relocalization and prefigurative social movements’. While earlier forms of organized collective actions either remained almost exclusively confined to the limits of the nation state (labor movements and new social movements) or explicitly rejected the nation state as the objective of their presence and chose a global action (global movements), modern relocalization movements reject both types of action and prefer an action focused directly against globalization. They act outside and away from the state and focus on territorial regeneration of the local autonomy as the cornerstone of self-governed and direct-democratic communities, with strong egalitarian social ties and a propensity for coequal participation.

These contemporary movements appear as forms of local resistance to globalization, but they are not showing trends of spatial or social isolation or marginalization, as happened, for instance, to most old communes and intentional communities of the past century. Instead, these are cosmopolitan communities that combine creatively community resilience and defence of the locality with the open spirit of cooperation, experimentation and constant learning. As far as their general structural influence is concerned, relocalization movements are opting more for 'solidarity economy' rather than 'social economy', since in the former case the solidarity practices affect the whole economic activity (production, circulation, consumption and accumulation), while in the latter case solidarity simply appears in the final phase (products, resources, goods, services). Therefore, local and autonomous communities fulfill social and economic functions in a most embedded and effective way.

In this sense, 'relocalization and prefigurative movements' can be seen, under certain conditions, as organizational frameworks of an anti-capitalist life project aiming to construct symbiotic and autonomous communities based on: (a) de-commodification of goods and services, (b) relocalization of production and culture; (c) ecological approach to life; (d) the critique of dependency and consumption, and (e) direct democracy. In this way, they reject capitalist modernization, unlimited growth and free trade. Their development trends depend on their potential to achieve their objectives and convince about the feasibility of implementation of the paradigm they propose.

Keywords: **relocalization movements, prefiguration, solidarity economy, peer production, degrowth**

‘Relocalization and prefigurative movements’ as social networks against globalization: the construction of local alternatives to global capitalism

INTRODUCTION

Drawing upon Wieviorka’s older periodization on worldwide social movements (Wieviorka, 2005), we can say that the current decade is the first one of a period characterized by the strong presence of ‘relocalization and prefigurative social movements’. While earlier forms of organized collective actions either remained almost exclusively confined to the limits of the nation state (labor movements and new social movements) or explicitly rejected the nation state as the objective of their presence and chose a global action (global movements), modern relocalization movements reject both types of action and prefer an action focused directly against globalization. They act outside and away from the state and focus on territorial regeneration of the local autonomy as the cornerstone of self-governed and direct-democratic communities, with strong egalitarian social ties and a propensity for coequal participation.

In this paper, I would try to discuss the worldwide presence and significance of a new generation of social movements, the so-called ‘relocalization and prefigurative movements’ (hereafter, RPMs), from the point of view of social movement theory. There are three main points I would mention here. First, RPMs are

to be considered as a set of movements clearly distinguishable from the movements in the past. Second, their activities should be analyzed as a local bound form of collective action not only politically directed against globalization (relocalization) but also experientially aiming to install, according to specific social values, direct democracy and solidarity economy as both a method of setting personal and social relationships within involved communities and a project to cope with the adversities of an external hostile capitalist world (prefiguration). Third, I would approach RPMs' collective action as a mixed form that strongly combines the instrumentality of political action aiming to protect, produce and reproduce the commons that members of the involved communities require in order to share a distinctive way of life, and the reflexivity of cultural action aiming to invent, produce and reproduce the collective identities and the meanings that same members need in order to secure an effective way to 'be together'.

RPMs are the outcomes of both weakness and strength of people acting collectively, as was the case of urban movements of the last quarter of the last century (see Castells, 1983). In other words, RPMs are also born as a symptom of the weakening or dissolution of progressive or revolutionary collective subjects of the past (centralized class and political movements). Nevertheless, they also proven to be decentralized and locally focused collective efforts aiming to generate new strong resistance spots against globalized domination of capitalism.

This article consists of four parts. In the first one, some keywords such as 'solidarity economy', 'peer production', 'degrowth' and 'RPMs' are defined and briefly discussed. In the second part, a radical political project based on symbiotic and autonomous communities supported by RPMs is assumed as an alternative productive model and its features are described. In the third part, features of the attempt of the

capitalist mode of production to recapture alternative and egalitarian social spaces of solidarity economy, by integrating them in the logic of commodification, are analyzed. And in the last part, some considerations on the contradictory coexistence of both production models and the dynamics of their mutual adjustment are put forward.

DEFINING SOME CONCEPTS

1. SOLIDARITY ECONOMY

Solidarity economy is not identical with social economy. Although in the current literature the two concepts are often interchangeable, they are in fact clearly distinguishable from each other, because they describe clearly different ways of organizing social and interpersonal relationships.

On the one hand, social economy refers basically to projects of economic nature with 'social face', -that is, to private initiatives aiming at cost-effective management of inputs- while introducing social 'virtues' in economy, such as distributive justice, equal opportunities, meritocracy and individual rights. Although clearly related to a business new concept of investment and cooperation, the social importance of the principles of social economy are exhausted in a rhetoric of desisting from aggressive capitalist strategies and economic practices that wildly exploit work and deplete natural resources. Social economy is part of the logic of the 'third sector' that in times of economic crisis finds room for growth because it represents forces that are not so much at risk from the limitations of either public budgets (state sector) or the entrepreneurship investment (private sector).

It consists of ‘social businesses’ that –despite the social face they are called to show- have to be productive, competitive, flexible, innovative, economically viable and often subsidized by external institutional actors (state, EU etc.). These businesses often combine work in the company (business) with the ‘voluntary’ action, which produces a flexible, seasonal and poorly paid precariat. For the neoliberal state these businesses are a necessary supplement to policies of employment and mitigation of social exclusion to the extent that they combine flexibility, insecurity and lack of unionization. In other words, they are to some extent vehicles of the capitalist ‘welfare policy’ in an economic crisis and extended social impoverishment.

On the other hand and in contrast to the above features, solidarity economy (hereinafter SE) essentially consists of human and social bonds of a different kind in which economic arrangements tend to be subsumed under a ‘social logic’, rather than being dominant over it. Here social relations based on the guiding principles of reciprocity and redistribution (Polanyi, 2001) are not only key ingredients of economic practices but also generate collectivities that clash with the logic of the capitalist market integration. Thus, SE includes collective projects that apply principles of equal partnership in production, exchange economy, workers' self-management, self-help, solidarity action and a logic of the gift. At the same time, these projects strengthen actions aiming at the general or common interest and not merely at the interest of their members, as in the case of social economy (Nikolopoulos & Kapogiannis, 2014: 34).

Furthermore, SE is a set of activities of actors that consciously develop collective resistances to globalization and create radical collective practices compared to the claims of traditional forms of collective action (either political or syndicalist). So SE favors the commons-based peer production, the equal access to the results of

production, the horizontal co-operation, the direct-democratic organization of the groups, the sharing of knowledge in the production process and so on. We will elaborate more on SE in the second part of the present paper.

2. COMMONS-BASED PEER PRODUCTION

According to Salcedo et al (2014: 3), “commons refers generally to that which is not driven primarily by restrictive/private appropriation but to a process that is driven by general interest”. Commons-based peer production or peer to peer production or peer production (hereinafter PP) includes collaborative production projects between peer producers. It is a collaborative, horizontal and commons-based productive process where people can (freely, openly and without hierarchical or subordination relationships between collaborators) contribute through collaborative and participatory practices to create a common pool of knowledge, code and design. Thus, democratic think tanks and collaborative productions created in the PP are constantly open to new contributions (ibid.).

The digital PP is applied to online communities of free software such as GNU / Linux operating system, Apache web server, the Wikipedia, the Open Street Map, the Slashdot, the NASA Clickworkers, the SETI @ home project etc.). A fundamental pattern of this groundbreaking mode of production is that people’s participation in these communities is motivated by a variety of incentives and motives, often ranging from the pure pleasure of creation and the stimulation of ‘making things’, to a special sense of purpose, to companionship and social links around a joint venture or a more ambitious social experiment (Troxler, 2010). However, PP is not limited to a purely digital domain. It also involves a series of tangible and physical goods produced

through fabbing projects and open source hardware projects (ibid.). A local example of PP and solidarity economy in Greece is the ongoing effort to build a regional community of 14 villages in Sarantaporos area of Thessaly Region aiming to create cooperativeness for the production of commons goods (creativecommons.ellak.gr/ 2015).

The commons-based PP opens new opportunities and ways to contribute to the public good, by ensuring the collaborative commitment of thousands of ordinary people in the voluntary, creative, non-commercial and participative creation of intellectual, cultural and tangible goods. Furthermore, Benkler and Nissenbaum (2006: 394) assert that PP is perfectly correlated to the virtuous behavior, because PP “offers an opportunity for more people to engage in practices that permit them to exhibit and experience virtuous behavior”. In this sense, PP serves “as a context for positive character formation” (ibid.: 395). PP is about how individuals relate to each other in a shared productive effort.

Compared to capitalist commodity production, PP is based on spontaneous decentralization (instead of the conventional management and the bureaucratic organization) and uses social encouragement and incentives (instead of pricing strategies, commands and instructions). It displays two explicit advantages over commodity production. First, it accomplishes an informational advantage, because it makes a full use of a huge variety of human creativity and motivation. And, second, it achieves to maximize the effectiveness of the work produced, because it renders informational resources available to potentially huge collectives (ibid.: 400-2).

3. DEGROWTH

Degrowth concerns collective projects aiming at a recovery of the local scale and the territorial domain of human activities (cultivable land, established material, cultural and relational inheritances). This is a conscious return to the rhizomes of the human experience; that is, persons may be able to influence their very own experiences. The term ‘degrowth’ is linked to ‘relocalization’, which is meant to be a process of intense activation of the ‘regional’ and ‘local’ arising from the weakening of the ‘national’ in a globalized context. From the degrowth perspective, relocalization is literally a ‘rebirth of places’, that is the local sovereignty in the frame of a decentralized and locally controlled politics and production structure (Latouche, 2011).

The main target of degrowth is to create small local communities favoring the de-commodified practices of a democratic and cooperative economy as well as of a critical consumption, contrary to the practices of late capitalism leading to commodification, productivism and unbridled consumerism. It is considered as a political project - umbrella connecting in a broader social coalition various collective actors who have environmental concerns and progressive social targeting and bring together their specific social demands (Kallis, 2011).

4. RELOCALIZATION AND PREFIGURATIVE MOVEMENTS

RPMs are building cores of community resistances based on local autonomy and relocalization strategies that open alternatives against modern globalized lifestyles; they are working to build community resistances to challenges of climate change, the depletion of fossil fuels and economic insecurity (Starr & Adams 2003). As forms of collective action resisting globalization, they can be analyzed in terms of three

fundamental characteristics: the re-territorialisation of resistance, the prefiguration of social changes and the communitarization of relationships (Psimitis, 2014).

I) Re-territorialisation: Facing the de-territorialisation of globalization, RPMs develop forms of resistances based on experiences and know-how that are shared among similar and territorially defined collective actions. In place of the pattern of the ‘movement against the neo-liberal globalization’, which is a horizontal transnational and global cooperation of multiple movements, RPMs propose territorial determination of actions, spatial dimension of relationships and a closed and direct cooperation between involved people. Having as fundamental constitutive principle to refuse the mediation logic in political, economic, intellectual and ideological level, RPMs build a particular conception of collective action. Thus, social problems and direct action in everyday life are interwoven in the field of localized spaces. Within this framework, political interventions are meant as a durable grass-roots work of a radical transformation of social relationships and everyday life as they are experienced at a local scale.

II) Prefiguration: RPMs strive, through collective efforts focused on the present, to prefigure in an exemplary way the social coexistence of the future. But prefigurative practices are not today’s constructions preforming and theatrically performing a remote and blurred future, because they supposedly are projected in this; they rather are preformed constructions of future’s ways of life and social bonds that are invading today’s forms of life and social organization. In this sense, they are fragments of the future that cannot wait to be accomplished as long-term strategic goals and, therefore, they come to be autonomously installed in a blurred, alienating and hostile present. According to Kulick (2014: 366), RPMs represent a range of dilemmas that actors face when inspired by the social transformation they desire are trying to shape their

own structures, practices and daily experiences beforehand. Therefore, collective actors perform prefigurative practices just to the extent that they are attempting to shape social transformation 'from within', here and now. According to Boggs (1977: 100, referred to by Luke, 2015: 2), prefiguration is defined as: “The embodiment within the ongoing political practice of a movement, of those forms of social relations, decision-making, culture, and human experience that are the ultimate goal”.

As a form of action, prefiguration depends on a collective commitment: the outcome sought of the action does not constitute a strategic goal placed in the future, but is performatively present within the action itself at the time it takes place. In other words, actions, means and results are inseparably tied together; they not give rise to an unbalanced relationship between cause and effect. Thus, RPMs are characterized by experimentation and learning ethos, based on moral integrity, collectively shared subjective meaning and authenticity; they invent geographically localized alternatives against globalized patterns of living, producing, communicating and working together.

Prefigurative practices combine five processes: (a) collective experimentation; (b) imagining, producing and circulating political meanings; (c) creating new and future-oriented social norms and conducts; (d) their consolidation in movement infrastructures; and (e) diffusion and contamination of ideas, messages and goals to wider networks and constituencies (Yates 2015). David Graeber identifies prefiguration with direct action, and he defines it as: “[a] form of resistance which, in its structure, is meant to prefigure the genuinely free society one wishes to create. Revolutionary action is not a form of self-sacrifice, a grim dedication to doing whatever it takes to achieve a future world of freedom. It is the defiant insistence on acting as if one is already free” (Graeber, 2012: 159).

III) Community: The concept of 'community' is fundamental to the prefiguration of the desired society and deals with the creation of egalitarian social relationships and decentralized community institutions. Unlike current criticisms on the concept, community should not be regarded as an enclosed, confined and marginalized reality, but as a daily political practice which establishes familiar and responsible relationships within collectivities. Therefore, it concerns no groups simply adjoined by common interests that differentiate them from other groups, but qualities of social bonds achieved with cooperation among people and shared responsibility towards nature. RPMs are grass-roots invented communities with socially viable institutions of collective self-recognition and self-government.

FEATURES OF THE RADICAL POLITICAL PROJECT: THE ANTI-CAPITALIST FIGHTING

Considering the above, SE belongs to the dynamics of an anti-capitalist life project supported by symbiotic and autonomous communities which are based on: (a) an ecological conception of life; (b) the relocalization of production and culture; (c) the de-commodification of goods and services; (d) the critical consumption; and (e) the equal relationships in political and economic production. SE consists of collectivities of communitarian type that resist globalization, defend nature and rely on equal relationships, mutual trust, collective and individual responsibility and solidarity. At the end, it represents a completely alternative lifestyle incompatible with the modernization model of globalized capitalism. In this light, the influence of SE is not limited to the economic production but extends to the processes of political decision and bio-psychic development of people.

As far as economic production is concerned, SE utilizes a radical use of solidarity, building a pattern of economic activity far away from market performances of capitalism. Indeed, any collective solidarity project shows completely different features compared with private enterprises. Thus, within SE framework, labor is the organizational factor; economic relationships are characterized by cooperation, reciprocity, donations and exchanges without profit, while the type of ownership of means of production is cooperative and communitarian. In contrast, the corresponding features of private capitalist enterprises are capital, profitable transactions and private individual or individual shareholder ownership (Biolghini, 2007: 38-9).

Within SE, solidarity does not appear at the end of the production cycle to supposedly correct to some extent faults and deficiencies of the economy and overcome some of its shortcomings. Instead, it enters and circulates in the entire spectrum of the cycle of production, circulation, consumption and accumulation (Migliaro, 2003). Thus, solidarity does not simply appear in the end of the cycle as a simple compensatory mechanism in order to redistribute a marginal part of the wealth and assist those harmed by their participation in the outcomes of the economy; it rather becomes an organic part of the economy, deconstructing the very capitalist production relations.

Regarding political production, SE promotes horizontality of relationships through direct democracy, rejection of heteronomy and self-institution. It encourages self-management, individual responsibility towards collectivity and continuous experimentation on ways of understanding each other and cooperating. Thus, regulation of internal conflicts and disagreements is every time achieved through flexibility, decentralization and anti-bureaucratic functioning of a political democracy that is adapted to small local scale, focused on reversing the exploitation relationships,

and draws on democratic traditions and political cultures as ‘indigenismo’, anarchism, the Gandhian thought, the rousseauian theory and village anthropology (Starr & Adams, 2003).

Political community does not fall back in autistic ways, instead it follows changing circumstances in the world, learns how to be taught, and it is extroverted regarding the sources of knowledge and introverted regarding the human, political and ideological resources it uses to solve problems. Financial activity is founded on political arrangements aiming to safeguard a communitarian symbiosis based on freedom and equality and prefigured within the limits of local scale experiments.

Socio-cultural formation and bio-psychic reproduction in a SE community are based on an experimentation and learning ethos which is rooted in local grounds and autonomous actions. Everyday social practices such as education, communication, socialization, care and assistance to people in need are applied not as a strategic goal, but through an experientially embedded confidence that people are here and now free and able to build alternative ways of implementing these practices in such living communities. Therefore, the SE communities both utilize political dialogue and cultural reflexivity to develop potential or latent qualities and combine modern expertise with tradition to construct collective memories that fit the path that has been collectively pursued.

FEATURES OF THE CAPITALIST RESPONSE: THE MARKET RECAPTURE OF
ALTERNATIVE SPACES

As noted above, SE is not identical with social economy, mainly because a part of the latter is ‘new entrepreneurship’ (hereinafter NE). The concept ‘entrepreneurship’ has flooded the concept of social economy, thus making the latter a vague and nebulous hybrid construction, certainly of dubious conceptual usefulness and political clarity. The logic of NE as a component of social economy is to emphasize ‘business innovation’ as the driving force of capitalist development, while concealing the inequality practices and exploitation relationships through the use of pompous terms such as ‘business responsibility’, ‘social accountability’, ‘sustainability’, ‘best practices in corporate social responsibility’, ‘social footprint’, and so on.

NE today constitute the most socially aggressive strategy of capitalist economy, in the sense that it manages to insert capitalist practices and market attitudes into domains that offer public services and common goods and that, until a decades ago, they seemed extraneous to choices, behaviors and attitudes animated by individual self-interest and selfish utilitarianism. In fact, this penetration of capitalist practices is exactly what extensively occurs in fields such as knowledge, education, health and public welfare.

In this way, companies within NE appear, on the one hand, as potential sources of employment of unemployed and working poor people, but, on the other hand, they seem to fit with their products and services in normal competition-driven market conditions. Therefore, priorities of the economic sustainability and efficiency prevail over democratic organization and social targeting. By taking advantage of the economic crisis and misleadingly appealing to the principles of SE, NE often speculates (as we will see below) on the concept of innovation in order to introduce both material reward and profit in typically solidary and cooperative pursuits through commercialization or subsidized activities. Typical feature of this practice is the

flexible use of workers either as seasonal employees in private companies or as unpaid ‘volunteers’ in NGOs. Apparently, NE, as it is embedded in the dynamics of capitalist competition, undermines cooperative values on which it supposedly relies.

Some typical cases of using business innovation as capitalist recapture of SE are: First, the invasion of new multinationals in the ‘cooperative economy’. The AirBnb (of a total value of \$ 10 billion and with just 600 employees) and Uber are new ‘players’ who claim to belong to SE. They present themselves as equally acting compared to exchange networks, collective kitchens, time banks etc. Nevertheless, while they are claiming to rely on social cooperation for dealing with the crisis, they are creating a new informal economy of uninsured workers, where everything is to be rented in the appropriate price: homes, automobiles, technical tools and even workforce itself (Kallis, 2014).

Second, multinational companies can legally pay and use open source from the General Public License (which is a widely used free software license that guarantees a variety of users -individuals, organizations, companies- the freedoms to run, study, share and modify the software) in order to make profits. Then, we have a paradox. On the one hand, open sources are created within a model of open cooperativism, similar to the SE model, which combines commons-oriented peer production patterns with shared ownership and self-governance practices. On the other hand, multinational companies are allowed to use the free software code for profit. In Bauwens words: “we do have an accumulation of immaterial commons, based on open input, participatory process, and commons-oriented output, but that it is subsumed to capital accumulation” (Bauwens, 2014, also see Bauwens & Kostakis, 2014). Furthermore, the peer production networks, which by structure defend open source and free software, often attempt themselves to combine open cooperativism with innovation

and entrepreneurship (see, for instance, Ellak.gr/2016/02), which has the effect of blurring the distinction between open cooperativism and capitalist competition, thus undermining cooperative values.

Within this context, contradictory projects, values and actions coexist with each other: These projects are sometimes inspired from needs of collaborative and peer to peer creation of a common, and another time they are induced by capitalist modernization demands oriented toward the innovation of modes of capitalist exploitation. The result is a contradictory reality, a strange hybrid construction that, as noted above, is vague and nebulous, of dubious conceptual usefulness and political clarity.

This reality is precisely the ‘new entrepreneurship’ of ‘social economy’. The NE project takes advantage of technical features of globalization, crisis and unemployment conditions, and displays a ‘social face’, carrying innovation as a ‘Trojan horse’. The introduction of innovation to the business activity is viewed in itself as a revolutionary pattern of modern enterprise. However, the history of the concept and the historical use of the corresponding business practices testify to the contrary. In fact, the driving force of capitalism was sought in the figure of innovative entrepreneur’ long before the recent emergence of ‘new entrepreneurship’. Already in the early twentieth century, the Austrian economist Josef Schumpeter had noted that the capitalist system drew its power from business innovation. Nevertheless, he argued that innovation is not an element belonging to the mere economic activity but is a factor that shapes social relations of production.

Schumpeters’ thesis, compared to today’s exuberant and opportunistic use of the term ‘innovation’, is clearly different. Schumpeter considers innovation as a

phenomenon specific and rare because it upsets the whole financial system and not as a small and simple technique of improvement already existed in business reality. In order for innovation to be implemented, businessman is required to show a genuine new combination between technologies, credit, production process and distribution as well as selling process of the products. According to Schumpeter, business innovation is a process that dissolves the embedded balances, since its implementation releases a ‘creative destruction’ that leaves nothing like it was before (Schumpeter, 2015).

Innovation, therefore, is not recently discovered; it has always been a feature of capitalist enterprise and a tool at the discretion of businessmen. Once it becomes part of the weaponry available to the business management to withstand market competition, it obeys the logic of the expanded reproduction of capital; with or without a social face.

But the recapture of alternative economic and social practices of SE by the market is not limited to the commons-based PP. Capitalist response penetrates even the degrowth domain. According to criticisms set forth from the principles of ecology, socialism and feminism, among degrowth supporters is widespread an apolitical attitude, a one that seems detached from social struggle and prone to over-generalizing (Brownhill et al., 2012). So, many degrowth supporters monolithically insist on condemning hyper-consumerism, but they do not seriously deal with issues related to production, power relations and radical social transformation.

So, they show the degrowth project as an easy and simple reform that may well be achieved in the context of the capitalist economy; that is, they talk about the goal of a ‘de-growing capitalism’ which will reduce over-consumption through the harmonious cooperation between capital, labor and the state; but they do not express any concern about the exploitation and domination relations as part of the productive

system (ibid). Thus, social ‘sterilization’ of degrowth, that is the objective of degrowth isolated from the conflictual content of social relations of production, can be a new strategy of capitalism. In other words, degrowth could be a new ‘developing market’ in which a new entrepreneur should invest for future profits.

READJUSTMENT FEATURES: MUTUAL FEEDBACK BETWEEN CONTRADICTIONARY PROJECTS

The guiding principle of autonomous RPMs is the assumption that capitalist modernization inevitably ends up in subsuming societies to the logic of profit and exploitation of both humans and nature. Therefore, in their effort to resist globalized capitalist modernization, they choose local scale action. With this option, they create the conditions of an alternative development aiming to use local knowledge and local traditions for de-commodifying local communities and creating and circulating freely knowledge, ideas, goods and services. Commons-oriented PP, politicized degrowth and the various SE practices –such as: productive communities, workers' self-management of factories, work collectives, producer cooperatives, land redistribution movements, communal farms, social centers, social clinics and pharmacies, free tutorials, self-managed publishing cooperatives, pirate radio stations and so on- are the fields of action where RPMs are organized and form their principles.

The radical aspect of RPMs is that, unlike the ‘alter-globalization movement’, they reject the scenario of a ‘democratization 'of globalization’; therefore they reject the reformist transformation of globalized capitalism. Thus, RPMs are forming collective resistances that defend a communitarian approach to the good life, solidarity, egalitarianism, democracy and accountability toward nature (Psimitis,

2014). Faced with these radical collective ventures, capitalist strategies attempt to embed the dynamics of solidarity and cooperation into the logic of the market and profit. We saw that, in practice, their meeting form a hybrid field of economic and social practices in which coexist contradictory strategies in addressing inequalities. SE and NE collide with each other and interweave with one another. Thus, when SE principles and NE goals seem to work in an osmotic way, then follows that ‘social economy’ is the modern development sector of the capitalist economy. Conversely, when SE is claiming its autonomy and collides with the logic of NE, then multiple examples of community resistances to exploitation of labor, alienation of people and environmental deterioration are produced.

Dynamics of cooperation and conflict of patterns coexist, inequalities of old and new type intertwine with everyday egalitarian and emancipatory practices. They form contradictory principles of behavior orientation, namely exploitation and emancipation, solidarity and utilitarianism, mobility and rhizome, tradition and innovation, etc. The interpenetration between contradictory practices and behaviors does not prefigure a certain scenario of future development. This finding may be a strong reflective advocacy for prefigurative practices implemented by RPNs, if these are assumed to be preforms of the future, a performative expression of a desired future in an inherently contradictory and ambiguous present!

The dividing line between SE and NE is now, in the eyes of many people, thin and permeable. This makes difficult the work of local resistance communities to highlight their inherent differences face to instrumental dynamics of NE. Whether SE will be able to withstand the ‘invasion’ of NE and defend its own principles and values is certainly not a matter of theory but of strong connection between egalitarian political struggles and solidarity experiential practices.

CONCLUDING REMARKS

Following an older classification of new social movements (Kriesi, 1996), we can see relocalization movements as mixed forms of collective action that combine: (a) an instrumental action, because they aim to produce and protect specific collective goods (commons); (b) a subculture, because they aim to produce or reproduce their collective identity; and (c) a counterculture, because they often reproduce their collective identity through highly contentious actions.

These movements appear as forms of local resistance to globalization, but they are not showing trends of spatial isolation and social marginalization, as happened for instance with most of old communes and intentional communities of the sixties and seventies (Oved, 2013). Instead, they are cosmopolitan communities combining creatively community resilience and defence of the locality with the open spirit of cooperation, experimentation and constant learning.

‘Relocalization and prefigurative movements’ may be considered as organizational frameworks of an anti-capitalist life project aiming to construct symbiotic and autonomous communities based on: (a) de-commodification of goods and services; (b) relocalization of production and culture; (c) ecological approach to life; (d) the critique of heteronomy and consumerism; and (e) direct democracy. In this way, they reject capitalist modernization, unlimited growth and free trade. Their development trends depend on their potential to achieve their objectives and convince about the feasibility of implementation of the paradigm they propose. This feasibility depends on the ability of the relocalization movements to empirically set up the field of ‘solidarity economy’ as an alternative social model to ‘social economy’. To achieve

that, they should combine both the identity-oriented and expressive action and the political and instrumental action in a balanced way. By doing this, it is very likely that they will develop radical and effective forms of action rather than being institutionalized or degenerated into entrepreneurial spirit.

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RETHINKING PEACE: OBSTACLES AND OPPORTUNITIES

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Abstract

In the recent times, there has been an upsurge in conflicting circumstances in Turkey. In this context, re-building a peaceful environment and understanding the socio-psychological obstacles facing the peace building process have been more crucial. The aim of in this study is to investigate the relationship between certain socio-psychological variables, i.e., conservatism, normative-humanistic attitudes, system justification, political trust regarding peace and attitudes toward peace with pro-peace behavioral intentions. The sample consisted of 454 participants from different regions of Turkey. Data was collected via an inquiry containing Socio-demographic Information Form, Polarity Scale (Tomkins 1978), Pro-peace Behavioral Intentions Scale (Bizumic et al. 2013), Attitudes toward Peace and War Scale (Bizumic et al. 2013), Political Trust regarding Peace Scale, Conservatism Subscale (Rattazzi, Bobbio, & Canova 2007) and General System Justification Scale (Kay & Jost 2003). The findings revealed that conservatism, normative-humanistic attitudes, system justification are significantly associated with attitudes toward peace and pro-peace behavioral intentions. Results also demonstrate a significant relation between system justification and background variables such as political and religious opinions. The results of the study were discussed in socio-psychological perspective considering geographic, cultural and ethnic differences in Turkey.

Keywords: pro-peace behavioral intentions, normative-humanistic attitudes, system justification, political trust regarding peace, conservatism, attitudes toward peace

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In Turkey, there has been an ethno-political issue going on since the foundation of the republic. Since the foundation of the republic, Turkey has been dealing with an ethno-political issue. The attempts and policies utilized for a move towards westernization, secularity and centralization and nationalism embraced through the early years of the republic also affected the ongoing ethnic-based political tension in the country. No matter how the Republic implemented policies to assimilate minorities, the Kurdish people who are a part of minority constituting the 16% of the country were denied these policies and the Kurdish rebellions have become one of the most prevailing problems in the Republic (KONDA 2010).

The ethno-political conflict has become more apparent in 1980s. Uluğ (2016, p. 14) stated that the Kurdish-Turkish conflict has caused cruel outcomes such as over 40.000 deaths and three million people being forcibly displaced. Following PKK's leader Abdullah Öcalan's capture in 1999, *the Kurdish Question* has gained a different dimension.

In 1999, Turkey was accepted as a nominee country by the European Union. Through westernization attempts and EU's commitment to impose changes forced Turkey to reform its policies regarding the minority issues and to approach towards the Kurdish Question in a different way (Çelik, 2016, p.80). As a result of these efforts, the Justice and Development Party (AKP), the governing party, started a process called 'Kurdish Initiative' in 2009 which promised an unarmed solution for the Kurdish Question and included developments in minority rights and some reforms regarding to human rights. In public, the project was called as "democratic initiative" and "peace project". The peace negotiations that maintained since 2009 progressed slowly and public support has been inadequate (Avcı 2014, p.15). From the people's perspective, the most consoling possible outcome of this effort was the fact that there were efforts for a non-violent solution and possibility of receiving no death news from either side. Although the process gave a hope for peace, the negotiations both progressed slowly. The process which was slowly progressing since 2009 was replaced by armed clashes

again. The clashes which initially emerged around some parts of the the Southeastern Anatolia Region of Turkey then spread over a wider area of the region and the western part of the country as well. Many civilians lost their lives and most people were forced to leave their homes during the conflicts.

All in all, the Kurdish Question has been one of the most important issues in Turkey's domestic politics since 1980s. According to a survey conducted by Antalya Int'l University in December 2015, Turkey's biggest problem is stated as terrorism (48.2%) (Antalya International University 2016). Again, according to another survey which was conducted the same year, terrorism (39.3%) is listed as the biggest problem in Turkey (Kadir Has University 2016) Although Turkey's government has taken considerable steps for solution of the Kurdish Question in recent years, we witness social differentiation and conflicts between Turks and Kurds (Çelik 2010, p.1). For the peaceful conclusion of the ethno-political conflict which was outlined above, we need to demand peace effectively.

Theoretical Framework

The approaches that have determined the theoretical framework of the current study are summarized and showed how they relate below.

Conservatism

Conservatism has been studied by historians (e.g. Diamond 1995), journalists (e.g. Lind 1996), political scientists (e.g. Carmines & Berkman 1994), sociologists (e.g. Miller 1994), philosophers (e.g. Habermas 1989) and social psychologists (e.g. Jost, Glaser, Kruglanski, & Sulloway 2003a). According to one of the new and inclusive social psychological approaches conservatism has two features: resistance to change and endorsement of inequality. The resistance to change dimension of conservatism is associated with right-wing authoritarianism (RWA) (Jost & Banaji 1994, p.10-11; Jost, Glaser, Kruglanski & Sulloway, 2003a, p.342-343).

Altemeyer (1981) asserted that authoritarianism was acquired through social learning and also developed the theory of right-wing authoritarianism whilst working with Canadian students. Right-wing authoritarianism consists of three interrelated components: authoritarian submission, authoritarian aggression and conventionalism. Authoritarian submission means an unquestioned obedience to authority; authoritarian aggression is the feeling of aggression towards people who violate rules and conventionalism means to literally dependence on traditions, values and rules (Altemeyer 1981 p.148). However, Duckitt and Fisher (2003, p.205) combined authoritarian submission and conventionalism to re-identified it as 'conservatism', which is adhesion to conventional rules, values, institutions and authorities. Conservatism is associated with the social-psychological variables including fear and aggression (e.g. Adorno et al. 1950), dogmatism and intolerance of ambiguity (e.g. Fibert & Ressler 1998), uncertainty avoidance (e.g. McGregor et al. 2001), need for cognitive closure (e.g. Golec 2001), personal need for structure (e.g. Altemeyer 1998), terror management (e.g. Greenberg et al. 1990), group-based dominance (e.g. Pratto et al. 1994), and system justification (e.g. Jost & Banaji 1994). These variables, as either independently or in combination, contribute to the adoption of conservative ideological contents (Jost et al. 2003a).

There is an interaction between authoritarian predispositions and perceived threat (Feldman & Stenner 1997, p.741; Onraet, Hiel & Cornelis 2013, p.10). Also when people are faced with threatening conditions (terrorist attacks, conflicts and so on) they indicate more conservative trends to cope with threat and uncertainty (Jost, Glaser, Kruglanski, & Sulloway 2003a; Bonanno & Jost 2006, pp.320-321). In this study, it is thought that conservatism may be associated with attitudes toward peace. It has also been suggested to be associated with the system justification (Jost, Glaser, Kruglanski, & Sulloway 2003a).

System Justification Theory

System justification means that current societal conditions and regulations about political, economical, sexual, social or legal are approved and legalized (Jost & Banaji 1994, p.9-11). The main focus of system justification theory is that stereotypes and other supportive ideologies are used in order to maintain current system (Jost & Hunyady 2002, p.36-37; Jost & Kay 2005, p.506-508). Jost & Hunyady (2005, p.260) note that:

The Protestant work ethic, meritocratic ideology, fair market ideology, economic system justification, belief in a world, power distance, social dominance orientation, opposition of the equality, right-wing authoritarianism and political conservatism system legitimating ideologies are of system justification ideologies.

These ideologies are positively correlated with uncertainty avoidance, need for order, structure, closure and prevention-oriented regulatory, dangerous world beliefs and fear of death. However, they are negatively correlated with cognitive complexity and openness to experience (Jost et al. 2003a, p.352; Jost et al. 2003b, p.392; Jost & Hunyady 2005, p.261-262). According to system justification theory, both advantaged and disadvantaged groups tend to system justification (Jost & Hunyady 2005, p.260). However, it is specifically to understand how and why, under some circumstances, that disadvantaged groups (compared to advantaged group) tend to more justify the status quo more (Jost, Pelham, Sheldon & Sullivan 2003c, p.30)

There are many studies indicating the effects of threat on system-justifying attitudes and the endorsement of conservative (Willer 2004; Echebarria-Echabe & Fernandez-Guede 2006; Ullrich & Cohrs 2007; Economou & Kollias 2015; Van de Vyver, Houston, Abram & Vasiljevic 2015 as cited in Sterling, Jost & Shrout 2016, p.3). In addition, system justification tendencies are associated with politically conservative structures (beliefs, opinions, and values so on) (Jost, Nosek, & Gosling 2008, p.130).

Toorn, Tyler and Josh (2011, p.130) reported that system justification is associated with trust and obedience to political authority. Perceived legitimacy increased when authority is fair and obeyed to authority. In line with the research, it is expected that system justification negatively correlates with attitudes toward peace and pro-peace behavioral intention within this research.

Political Trust

Political trust corresponds with belief about the political system and its components will operate according to people's expectations (Miller 1974, p.989; Hetherington 1998, p.791). It is considered as a component of political support and it facilitates perceived legitimacy of the political system (Wang 2005, p.157). The source of political trust is from beliefs based on cultural norms and performance of political institutions (Mishler & Rose 2001, p.420).

Political trust is associated with religion, values, economic conditions of the country, perceived threat to the country, support of governmental policy, representations of personality traits of leaders, conservatism, traditionalism, system justification, authoritarianism (Citrin & Green 1986; Williams 1996; Hetherington 2005; Henry & Saul 2006; Çoymak 2009; Schwartz, Caprara & Vecchione 2010; Sekulić & Sporer 2010).

The most trusted institutions in Turkey are the Army, Presidency of Religious Affairs, Presidency and the Judiciary (Eser 2010 as cited in Sönmez 2014, p.7). In another study, the most trusted political components in Turkey have been expressed as Presidency, the Army, the Police, the Prime Minister and Turkish Grand National Assembly. According to the same research, the least trusted political component are politicians in general (Metropoll 2013 as cited in Sönmez 2014, p.7).

Political trust has been examined by different researchers in different categories (political actors, culture, religion, values, regime change and so on) in the literature (Billings & Scott 1994; Norris 1999; Devos, Spini & Schwartz 2002; Bilodeau & Nevitte 2003; Wang,

2005; Sönmez 2014). However, this study has examined political trust regarding peace in an atmosphere of conflict in Turkey. Accordingly, the scope of the political field includes not only state institutions (examples include presidency, army, police, prime minister etc.) and civilian components (NGOs, media and so on) but also people's common sense factor.

Ideology and Tomkins' Script Theory

The concept of ideology is defined in different ways in the social sciences. In psychological research area, ideology is described as inner beliefs and organizations which are shared by a group of people (Göregenli 1997). Ideologies are contextualized by bi-dimensional attitudes suggested by Tomkins (1978). Tomkins (1978) named these bi-dimensional attitudes as scripts –which were also known as conservative-liberal- and proposed that human thought is constructed by normativism or humanism. Tomkins (1978) assumed that ideologies have many aspects emerged in religion, child rearing practices, science theories and in other areas. He indicated that the relationship between ideology and personality evolved as normative and humanistic dispositions. Tomkins named this ideological left and right personality distinctness as ideo-affective postures or scripts. According to Tomkins (1978) personality is formed by these scripts. Various researches support that right-wing persons are more normative and authoritative as indicated in Tomkins theory. De St. Aubin (1996, p.160) indicated political conservatives are more normativist whereas political liberals are more humanistic. In Carlson and Brincka's (1987, p.572) research conducted in the United States with university students and adults, Republicans are found more normativist; on the contrary Democrats are found more humanistic. Thorisdottir, Jost, Liviatan and Shrout (2007, p.198) also indicate liberalism is characterized by equality and social change; whereas conservatism is characterized by acceptance inequality and favoring traditions. Nilsson and Strupp-Levitsky (2016, p.8) also found normativism is related with seeing people and the world as static and immutable, respect for authority and protection of sanctity. Additionally, they

found humanism is related with constructionist view of society, intrinsic preferences, fairness and self-transcendence. Also, in Rubinstain's (1996) research with Jewish and Muslim students, right-wing political party supporters have more authoritarian tendencies than left wing supporters. In the same research, secular-oriented students' authoritarian scores were lower than the others. Just one crucial findings of the study is that right-oriented and authoritarian persons in both Muslim and Jewish participants are more against the peace processes. As for research conducted in Turkey, there are few that have used Polarity Scale to learn about people's worldviews. In Gürşimşek and Göregenli's research (2005, p. 755), humanistic orientation is negatively related with system justification; whereas it is positively related with universal equality and democracy. Another piece of research demonstrates that teachers with normative tendencies have authoritarian tendencies and discipline beliefs (Gürşimşek & Göregenli 2004, p. 88). These findings are related to other studies in that they indicate individuals whose personal ideologies are defined as high normative preserve a more conservative and authoritarian orientation (e.g. Carlson & Brincka 1987; De St. Aubin 1996).

Attitudes toward Peace and Pro-Peace Behavioral Intentions

Peace is generally defined as absence of war (Galtung 1969). Over the course of time its meaning has been enriched to a broader extent, which includes the social and political structures that promote peace. Peace is a positive societal state that neither structural nor direct violence is not likely to occur (MacNair 2015, p.19). Direct violence has the aim of hurting-harming the body, mind or spirit; whereas structural violence refers to social structures and institutions harm people by preventing them from their basic needs and it is related to social injustice (Galtung 1969, p.183; 1996, p.31). Galtung also (1969, p.183; 1996, p. 61) distinguishes negative peace from positive peace. Negative peace refers to the absence of war and violence; whereas positive peace refers to absence of structural violence and

egalitarian distribution of power and resources. Galtung (1969) emphasized that structural violence is particularly important in understanding peace.

Attitudes toward peace and attitudes toward war differ according to ideologies, values and personality traits. Social dominance orientation (SDO) is related to ideological beliefs about group inequality. When it is about protecting group based hierarchies SDO has a positive relation with pro-war attitudes (Pratto, Sidanius, Stallworth and Malle 1994, p.754-755). On the other hand, values which favor harmony and equality are related with pro-peace attitudes. Attitudes toward war are related to high RWA and national strength; whereas attitudes toward peace are related to low SDO (egalitarian ideology) and international equality (Bizumic, Stubager, Mellon, van der Linden, Iyer and Jones 2013, p. 688). Also, Bizumic et al. (2013, p. 682) showed that attitudes toward peace are positively correlated with pro-peace related behavioral intentions, whereas attitudes toward war are positively correlated with pro-war related behavioral intentions. A number of studies support that RWA and SDO are important indicators of attitudes toward war and peace (e.g. McFarland 2005; Pratto, Sidanius, Stallworth and Malle 1994; Cohrs and Moschner 2002; Cohrs, Moschner, Maes and Kielmann 2005).

The conceptual frameworks briefly outlined above has contributed to the aim of this study; which is to investigate the relations between attitudes toward peace, pro-peace behavioral intention, conservatism, political trust, normative-humanistic attitudes and system justification.

METHOD

Participants

The data for this study was collected through both online and paper-based surveys in classroom settings of the Ege University as well as face-to-face interviews with both student and adult sample. The sample consisted of 454 participants with the sex distribution of the

participants being 259 women (57%), 191 men (42.1) and 4 people who did not report their sex. Except 6 participants who did not report their ages, the remaining participants' age range was between 18 and 70 ($M = 27.18$, $SD = 8.59$).

The participants' place of birth varied; 107 participants were born in the Aegean region (23.6%), 82 participants in Marmara region (18.1%), 76 participants in Southeastern Anatolia (16.7%), 50 participants in Eastern Anatolia (11%), 47 participants in Central Anatolia (10.4%), 42 participants in Mediterranean region (9.3%) and 27 participants in Black Sea region (5.9%). 11 participants' place of birth were outside the above mentioned regions and a further 12 participants did not reply this question.

Materials

A questionnaire battery consisting of six scales, described in detail below, were completed by the participants. Also, basic demographic information was collected to obtain the participants' sexes, ages, occupations, education levels, income levels, and the place where they lived the longest. In addition to these demographic questions, there were questions asking about political orientation and religious affiliation (on a 7-point Likert type question) and languages other than Turkish spoken among their family members –a question intended to glean participants' ethnic backgrounds-.

Conservatism Scale: This scale is a short version of the Right-Wing Authoritarianism (RWA) Scale, which was devised by Rattazzi, Bobbio and Canova (2007) and translated to Turkish by the authors of this study. This scale has 7 items ($\alpha = .76$) that are rated on a 7-point scale from -3 (*totally disagree*) to +3 (*totally agree*). However, in this study items were rated on a 5-point Likert type scale, ranging from 1 (*strongly disagree*) to 5 (*strongly agree*). Sample items were “Homosexuals and feminists should be praised for being brave enough to defy ‘traditional family values’” (reverse-scored) and “Everyone should have their own lifestyle, religious beliefs, and sexual preferences, even if it makes them different from

everyone else” (reverse-scored). Higher scores in this scale indicate a higher level of conservatism. The internal reliability of this scale for the current study was satisfactory ($\alpha = .87$).

General System Justification Scale (GSJS): The GSJS was developed by Kay and Jost (2013) and adapted to the Turkish context by Göregenli (2004, 2005). The Cronbach’s alpha reliability of the original scale and its Turkish adaptation were .87 and .71, respectively. This scale was used to assess individuals’ tendency to legitimize the general system that they live in. The GSJS consisted of 8 items that were rated on a 5-point Likert type scale, ranging from 1 (*strongly disagree*) to 5 (*strongly agree*). Sample items include “In general, you find society to be fair” and “Our society is getting worse every year” (reverse-scored item). Higher scores in this scale indicate higher tendency toward a general system justification. The Cronbach’s alpha of the GSJS for the current study was calculated to be .72.

Political Trust regarding Peace Scale (PTP): The PTP Scale was constructed by the authors of this study in order to examine political trust towards various political agents such as the governing party (AKP), the parliament, the army, and intelligentsia etc. in regards to the achievement of peace. This scale had 12 items that were rated on a 5-point Likert type scale, ranging from 1 (*strongly disagree*) to 5 (*strongly agree*). Sample items of the PTP Scale are “My actions in accordance with my political views will bring peace”, “The common sense of the people of Turkey will bring peace” and “The civil society organizations’ works will bring peace”. Higher scores indicate a higher level of political trust in regards to the achievement of peace.

Polarity Scale (PS): The Polarity Scale was developed by Stone and Schaffner (1988). The scale has 59 items with the Cronbach’s alpha reliability of .84. This scale was adapted to Turkish context by Göregenli (1997) and by eliminating 14 items they obtained the Cronbach’s alpha as .69 for the remaining 45 items. The PS assesses a person’s life

orientations as either humanistic or normative ideologies. The PS has paired items and participants are asked to determine which statement reflects their ideas the best amongst each of the pairs. Sample paired item of the PS are “Play is childish. Although it is proper for children to play, adults should concern themselves with more serious matters,” –reflecting normative orientations-, and “Play is important for all human beings. No one is too old to enjoy the excitement of play” –reflecting humanist orientations. Items related to normative orientation were scored as 1 and humanistic orientation were scored as 2. Thus, higher total scores in this scale indicate tendency to a humanistic orientation and lower scores indicate tendency to a normative orientation. In this study, a short version of the PS which was abbreviated by Gürşimşek and Göregenli (2005) was used ($\alpha = .73$). This short version of the PS had 20 items. The Cronbach’s alpha of the short version of PS was calculated for this study to be .54.

Attitudes toward Peace and War Scale (APW): The APW Scale was developed by Bizumic et al. (2013) and translated into Turkish by the authors of this study. The APW Scale has 16 items and two sub-scales, namely attitudes toward peace ($\alpha = .83$) and war ($\alpha = .90$). In this study the APW Scale was used unidimensionally and so items were rated on a 5-point Likert type scale, ranging from 1 (*strongly disagree*) to 5 (*strongly agree*). This scale was used to examine individuals’ attitudes toward peace and war. Sample items were “I believe that peace is extremely important” and “Under some conditions, war is necessary to maintain justice”. The internal reliability of the overall APW Scale for this study was satisfactory ($\alpha = .84$).

Pro-peace Behavioral Intentions Scale (BEH-P): This scale was developed by Bizumic et al. (2013) and translated into Turkish by the authors of this study. The BEH-P Scale has 6 items ($\alpha = .90$) rated on a 9-point Likert type scale. However, in this study items were rated on a 5-point Likert type scale, ranging from 1 (*strongly disagree*) to 5 (*strongly*

agree). This scale examines individuals' behavioral intentions for supporting peace. Sample items include "I will join a human barricade to promote peace" and "I will risk imprisonment to promote peace". The internal reliability of the BEH-P Scale for this study was satisfactory ($\alpha = .87$).

Procedure

The study is cross-sectional research and the data was collected in March, 2016. After getting the consent for voluntarily participation, the participants filled the questionnaire by themselves. It took on average 20 minutes to fill out the questionnaire completely.

RESULTS

Before running the main analyses, we first tested the correlations between BEH-P, APW, Conservatism, GSJ, and PS. Thereafter, we examined the differences between participants' responses as a function of ethnic identity, political orientation, and religiousness. The results were as we expected in general.

Table 1. Intercorrelation matrix (Pearson's r) for 454 participants

	1	2	3	4	5
1. Pro-peace Behavioral Intentions (BEH-P)	1				
2. Attitudes Towards Peace and War (APW)	.39*	1			
3. Conservatism	-.25*	-.45*	1		
4. General System Justification (GSJ)	-.24*	-.32*	.42*	1	
5. Polarity Scale (PS)	.18*	.30*	-.22*	-.12	1

* $p < .01$

Relations between the Scales

Results demonstrated that all of the components we measured have a significant relationship with each other. As shown in Table 1, BEH-P is positively correlated with APW ($r = .39$) and humanistic attitudes ($r = .18$), and negatively correlated with conservatism ($r = -.25$) and GSJ ($r = -.24$). That is, participants who are more inclined to take action for peace have more positive attitudes towards peace and have more humanistic attitudes. Likewise, APW is positively related with humanistic attitudes ($r = .30$), and negatively related with conservatism ($r = -.45$) and GSJ ($r = -.32$). As expected, there was a strong positive correlation between conservatism and GSJ ($r = .42$), on the other hand conservatism is negatively correlated with PS ($r = -.22$) which means that the conservative beliefs are more associated with normative attitudes than humanistic attitudes are. Lastly, the correlation between GSJ and PS was negative ($r = -.12$), but not significant as the only exception.

Table 2. Means and standard deviations for scales as a function of ethnic identity

	Turkish		Kurdish		<i>t</i>
	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	
Pro-peace Behavioral Intentions (BEH-P)	19.19	5.18	22.54	5.94	-4.94**
Attitudes Towards Peace and War (APW)	62.53	8.98	65.59	9.70	-2.57*
Conservatism	14.57	6.00	13.62	5.45	1.29
General System Justification (GSJ)	16.64	4.66	14.04	4.07	4.65**
Polarity Scale (PS)	34.94	2.69	35.11	2.74	-.51

* $p < .05$

** $p < .01$

The Effects of Ethnic Identity

For the purpose of finding out the differences between Turkish and Kurdish samples, first we created three groups as Turkish ($N = 220$), Kurdish ($N = 95$), and the Others ($N = 46$) in accordance with ethnic background that is reported by participants. We then conducted independent t -tests in order to investigate whether the ethnic identity has an effect on each variable. Results indicated that Kurdish participants are more intended to take action for peace ($t(297) = -4.94, p < .001$), and have more positive attitudes towards peace than Turkish participants do ($t(284) = -2.57, p < .05$). On the other hand, Turkish participants are seen to justify the system more than Kurdish participants do ($t(303) = 4.65, p < .001$). The differences between two ethnic groups for the dimensions of conservatism and normativism/humanism were not statistically significant (see Table 2).

In order to study possible differences in PTP between Turkish and Kurdish participants, separate t -tests were used for each item of the scale since it's not a unidimensional measure. Nine of 12 items were shown significant difference between Turkish and Kurdish samples. In general manner, Turkish participants trust more in army, police, security forces, and judiciary regarding settlement of peace than Kurdish participants do. On the other hand, Kurdish participants trust more in the party which they voted for, civil society organisations, the parliament in the meaning of the solidarity of all parties, intelligentsia and artists, and the opposition parties than Turkish participants do. Trust in the acts of the governing party and the president were relatively low for both Turkish and Kurdish participants. They also trust in the common sense of the people of Turkey in a similar extent (see Table 3).

Table 3. Means and standard deviations for items of PTP as a function of ethnic identity

	Turkish		Kurdish		<i>t</i>
	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>	
1. My actions in accordance with my political views will bring peace.	2.81	1,15	3,71	.99	-6.54**
2. Works of the party I voted will bring peace.	2.83	1.1	3.83	.93	-8.24**
3. The civil society organizations' works will bring peace.	3.20	.97	3.60	1.07	-3.17**
4. The parliament's works as a whole will bring peace.	3.15	1.20	3.52	1.24	-2.45*
5. The governing party's works will bring peace.	2.03	1.06	1.81	1.11	1.65
6. The president's works will bring peace.	1.88	1.11	1.65	1.02	1.78
7. The army's works will bring peace.	2.39	1.09	1.47	.87	7.88**
8. The police and security forces' works will bring peace.	2.24	1.17	1.50	.91	5.97**
9. Intelligentsia and artists' works will bring peace.	3.44	1.15	4.03	1.03	-4.53**
10. The opposition parties' works will bring peace.	2.68	1.12	3.20	1.14	-3.73**
11. The judiciary's works will bring peace.	3.00	1.15	2.62	1.33	2.40*
12. The common sense of the people of Turkey will bring peace.	3.71	1.21	3.57	1.37	.81

* $p < .05$ ** $p < .01$

Table 4. Means and standard deviations as a function of political orientation.

	Left-wing	Moderate	Right-wing		
	<i>M (SD)</i>	<i>M (SD)</i>	<i>M (SD)</i>	<i>F</i>	<i>Partial η^2</i>
Pro-peace Behavioral Intentions (BEH-P)	21.22 (5.62)	17.97 (4.93)	18.53 (4.16)	11.41**	.06
Attitudes Towards Peace and War (APW)	64.89 (9.28)	61.70 (8.46)	57.51 (7.59)	12.56**	.07
General System Justification (GSJ)	14.56 (4.23)	17.85 (4.21)	20.40 (4.72)	41.30**	.19
Polarity Scale (PS)	35.22 (2.67)	35.15 (2.54)	33.85 (2.53)	4.67*	.03

* $p < .05$ ** $p < .01$

The Effects of Political Orientation

Participants were asked to state their political orientation on a 7-point scale (from 1 = *extremely left* to 7 = *extremely right*), and we created three categories as left-wing oriented ($N = 245$), moderate ($N = 60$), and right-wing oriented ($N = 42$) participants based on this scale. As can be seen in Table 4, the results of separate ANOVAs showed that left-wing oriented participants are more intended to take action for peace than moderate and right-wing oriented participants are ($F(2, 337) = 11.41, p < .001$). Likewise, their attitudes towards peace are more positive than the others' attitudes are ($F(2, 316) = 12.56, p < .001$). Right-wing orientation are seen to be more related to justifying the system ($F(2, 344) = 41.30, p < .001$), and normativism ($F(2, 309) = 4.67, p < .05$).

The Effects of Religiousness

We asked participants whether they believe in any religion, 67% of them replied positively to this question. After that, these participants who believe in a religion rated the degree of influence of the religious beliefs on their daily life on a 7-point scale (from 1 = *not at all*

influential to 7 = *completely influential*). Based on this scale, three groups were created as follows: lowly religious ($N = 105$), moderately religious ($N = 54$), and highly religious ($N = 87$). We then compared these three groups using ANOVAs, and found that highly religious participants ($M = 60.32$, $SD = 8.92$) have less positive attitudes towards peace than lowly religious participants do ($M = 65.15$, $SD = 8.26$; $F(2, 229) = 7.06$, $p < .01$, partial $\eta^2 = .06$). Additionally, they ($M = 18.25$, $SD = 4.69$) tend to justify the system more than lowly religious group do ($M = 14.89$, $SD = 3.93$; $F(2, 243) = 13.36$, $p < .001$, partial $\eta^2 = .10$).

DISCUSSION

This research firstly purposed to examine the social psychological processes in the ongoing conflict environment in Turkey and potential ways of achievement of peace. In accordance with this purpose, the participants' attitudes toward peace and war were investigated through the aspect of their relation stance towards conservatism, pro-peace behavioral intention, political trust regarding peace, system justification and normative-humanistic attitudes. These variables were examined in terms of political orientation, ethnic identity and religiousness.

Our results constitutively indicated that conservatism, political orientation, ethnic identity and religiousness were essentially associated with the attitudes toward peace and war. Conservatism and system justification were positively correlated with each other and they were also negatively correlated with attitudes towards peace.

In detail, our results support the literature about left-right political orientation. Results indicate that as political orientation progresses from right to left; pro-peace behavioral intention, attitudes towards peace and humanism increases, while system justification level decreases in accordance with previous research (e.g. Kay, Czaplinski & Jost 2009, Göregenli and Karakuş 2012). In line with the former research and as expected, pro-peace behavioral intention and attitudes towards peace are affirmatively associated (Bizumic et al. 2013).

Additionally, as religiousness level progresses high to low, system justification level decreases, which is coherent with the existing literature (Yılmaz 2013).

As a central component of the ongoing conflict, ethnic identity is highly correlated with the better part of the variables. In the light of the results, Kurdish people seem to be eager about ‘pro-peace behavioral intention’ and also have more favorable attitudes towards peace. Despite their enthusiasm, Turkish people are more prone to justifying ‘the system’ than Kurdish people (Göregenli 2005, p. 113). Furthermore, Kurdish people’s belief in their actions in accordance to their political view is significantly higher than Turkish people.

Kurdish people's denial of their disadvantaged status in the existing system and their belief in the ability to change the system might be the reason their system justification level is lower. Social Identity Theory (Tajfel & Turner 1979) suggests six strategies for changing negative social identity status. The results should be considered in terms of one of these strategies, *realistic conflict*: Kurdish people endeavor to change their disadvantaged status in the lasting system with a collective behavior. Due to their acquisitions gained by realistic conflict strategy, they rely on their own actions and are less prone to legitimate the ongoing system. In conjunction with this, Tajfel (1978) suggests that if the existing system is not perceived as legitimate and permeable, political and social actions may arise. Thus this perspective reveals that Kurdish people use every means possible for changing their disadvantaged status in the system. Alternatively, Turkish people are apt to seemingly keep and reproduce their advantaged status in the existing system. Tajfel and Turner (2004) indicate that when the minority group takes step to change the existing system, the majority group may try to maintain the system through fear, threat and an uncertain environment. Accordingly, people of the majority group may tend to legitimize the existing system by changing their political perspective towards conservative ideologies. These findings are supported by the essentials of System Justification Theory (Jost & Banaji 1994).

The results for the point of political trust regarding peace showed; independent from ethnic identity, that participants trust civil society organizations, the parliament as whole, intelligentsia, artists and common sense of people of Turkey. Complaints about lack of public support from the West part of the country had widespread media coverage, yet participants seem to still count on civilian endeavors. In addition to this trust, participants have another common ground such as low levels of trust the government party and the President from the viewpoint of peace. Apart from that, some differences took place about political trust in regards to peace between the groups of two ethnic identities. Turkish people trust government bodies such as army, police, security forces and the judiciary in the matter of achieving peace in the country, which is opposite for Kurdish people in comparison. This result supports the previous research that indicated Turkish people trust the army more than Kurdish people do (Göregenli 2005, p.108). To continue the difference in trust in terms of bringing the peace; the actions regarding participants' political view, the political party they voted for, civil society organizations, parliament as a whole, intelligentsia, artists and opposition parties were trusted more by the Kurdish people than the Turkish people.

In comparison to the Turkish people, the Kurdish people show a higher ethnic identification level (Göregenli 2012, s.88; Şen 2014, s.87), moreover they are disadvantaged in the system. For this reason, Kurdish people lean towards more egalitarian and more democratic ways in connection with political trust regarding peace. This perspective conforms to Tajfel and Turner's study (2004), which indicated disadvantaged groups were more inclined to an egalitarian political opinion. Turkish people in contrast, are advantaged group thus trust more normative ways to come to peace because they may feel themselves closer to power sources.

Tomkins' Script Theory (1978) has an important role in this research. As expected, humanism dimension is negatively correlated with conservatism; and positively correlated

with pro-peace behavioral intentions, especially with the attitudes toward peace and war. Also the results are consistent with the literature (e.g. De St. Aubin 1996; Carlson & Brincka 1987, Gürşimşek & Göregenli 2005). Tomkins' Script Theory and its associations with different socio-psychological variables may be an interesting area for further research.

This research is important to investigate the ways of establishing peace in the minds of lay people, since the Question has not examined it adequately so far (see Uluğ 2016; Başer & Çelik 2014). Albeit, our study still kindly demonstrates that in spite of all the ongoing conflict processes in Turkey, people acutely maintain the belief in peace. It is hopeful that both Kurdish participants and Turkish participants trust in the common sense of people within Turkey to reach peace. As Sherif (1968) stated, to reduce the hostile attitudes between the conflicted groups they must take joint action to attain desired outcomes. These desired outcomes are defined as *superordinate goals* by Sherif (1968). Superordinate goals refer to promptly desired outcomes which are concerning to all groups. These superordinate goals that interest each group promote cooperation between them and eventually facilitate friendly attitudes. Since peace is one of the superordinate goals desired by both Turkish and Kurdish people, it could be said that both of these groups have motivational basis for cooperation.

In the future there should be research into the factors affecting the attitudes towards peace should be elaborated for a better understanding of essential requirements of peace environment.

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Language of Resistance: Social Movements and Online Artist Projects

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Keywords: Artivism, internet, occupy movements, language, media.

Abstract: Ever since we have been spending a remarkable amount of time on the internet as urban people, an interesting phenomenon became noticeable: the relationship between online *artist* projects and social movements. Artists do activism by means of art; they use various traditional or untraditional mediums, some of which are culture jamming, subvertising, street art, spoken word, protesting. In this paper we will be analyzing online artist productions that are related to the resistance movements in USA, Greece, Spain, Tunisia, Egypt and Turkey. The crisis is not only economical but also cultural; today, the financial world, the multinational companies invaded our lives. The social movements are not only questioning governors as to why they do not find solutions but also criticizing this ill-considered model of globalization. These movements also target the "idealized" life promoted by the system. This paper aims to understand 'new social movements' and 'creative' resistance, and to observe the ancestors of the *artist* projects (especially net art projects of the 1990s in USA and in Europe). This new generation of activists has a new common language; their productions in the streets and on the internet are intelligent and ironic. We try to analyze the use of language and the transnational character of the language in social movements and their online repercussion (hoax news websites, fake personalities, hacking-code writing, manipulated posters and memes).

Introduction

Our PhD research aims to establish a theoretical reading of "contemporary" online content in the light of aesthetic theories. We analyze online artist productions and website projects which are linked to resistance movements from 2008 (the great recession) to 2014, the United States, Greece, Spain, Tunisia, Egypt and Turkey. In our research, we investigate the relationship between daily life, politics, the arts and aesthetics using the aesthetic experience notion from John Dewey, the distancing effect from Bertolt Brecht and *dissensus* of Jacques Rancière. We aim to analyze and explain

the reaction of artists and/or non-artists to everyday life events and their production in relation to their observations of everyday life, political space and society in general.

We also aim to portray new materials of production and the concept of language in those projects; training and use of language as an artistic material and as a message. Language as “material” means computer code, some hacktivist acts or electronic sit-ins while written content or shared images mean “messages”. Our study offers a comparative approach between different web projects, projects recognized as works of art as well as “popular” projects on social networking sites: fake news websites, fake personalities, acts of hacking, virtual performances, manipulated posters and memes, pirate TVs and radios. It is also an analysis of the communities, the initiators and content producers of these websites and projects. We are asking two main questions: Is it possible to make an aesthetic reading of such productions? What do these creative/artistic projects say on our daily life, the political and social space? How to interpret them?

In all those projects we may see the awakening effect even if it that was not the project’s first intention. One of the criticisms addressed to such projects is that they are not targeting a real change. However we are not interested whether what we analyze aims to achieve a real change or is simply cynical or satirical. We are interested in the *dissensus*, the disruptive language they built, so that the aesthetic experience and alienation effect might be created.

Given the content of our research and the methodology, we adapt an interdisciplinary approach. Our research focuses on four main areas closely related to each other: 1) The importance of the new information and communication technologies and the change in

society (the transition from industrial to post-industrial), 2) The relationship between the concept of language, the arts and activism, in light of existing literature, 3) Analysis of former "networked art" practices and online activism projects, 4) The case study to analyze selected projects or websites.

These questions demand qualitative and quantitative analysis of data. In our research, we based on semi-structured interviews and participant and non-participant observation as appropriate methods to explore practitioners' perspectives due to the qualitative nature of the information. Our case studies provide us a systematic way of looking at online activist productions by collecting data, analyzing information, and reporting the results. Therefore we adopted data analysis and text mining methods.

In this article we will try to summarize just a part of our research, we will first mention the new forms of actions and "creative" mobilizations which precede the latest ones. Secondly, we will give examples that have created transnational exchanges and examples of transition between the street and the web. Finally, we are going to describe the language created in Turkey in the streets and online.

New modalities of action, new directories, "creative" protests

In parallel to our inquiries about the internet, social networks, digital arts, there have been consecutive riots in several countries especially following the great recession 2008 until late 2014. The causes and consequences of those riots or movements differ. As Tilly (1977) mentioned forms and repertoires of social movements vary with time and structure of the society in which they occur. But, there are also commonalities that seem interesting to discover: these are young people who took the streets; they ask not only labor rights in

the conventional sense but they demand a solution to the austerity and insecurity; they demand individual freedom and respect to the *right to the city*, to their spaces, to their bodies, to their choices, etc. Tilly shows that modalities of action also vary according to historical moments especially in the moments of fundamental changes such as industrialization, urbanization, etc. (1977, p.50). In our case this fundamental change can be considered as transition to the information age. We state that the past hegemonic actors (states, political parties, and unions) couldn't not yet adapt to the information age. On the opposite side, the new generations are capable of building and transforming the cyber culture, and they adapted their selves to post-industrial era. That's how the balance shifted to the people who are open to innovate and have cultural capital to apply those innovations; the balance then in a longer term shifted to the companies who hire those people. As a result, hegemony (in the sense we know) is changing hands, today we witness to this struggle between individuals (or small collectives), corporate enterprises, existing political organizations and states, so that we also witness 'new social movements' as a result of this hegemonic crisis.

These new protests differ from past political movements. Erik Neveu (1996) cites four dimensions of this break: **1) forms of organization and repertoires** (hostility towards centralization, playful approach, looking for innovation, support for a single subject) **2) values and claims** (less economic, more qualitative; importance of more qualitative and expressive claims, such as lifestyles, identity, enhancement of body, desire or nature), **the will to escape from rationalization and development of autonomy** **3) relationship to politics** (challenge or seize the state (union/party duo, access to *polity* in Tilly's terms), reaffirm the independence of sociability forms); **4) identity of their actors** (Not anymore

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class identities, but groups defined by characteristics: women, homosexuals, Breton, “ami de la terre”¹, ... – actors belong to the salaried middle classes). According to Alain Bertho (2009), “[...] for rioters of twenty-first century we may refer to a divorce among peoples and states, the collapse of institutional and subjective features of social and political representation. [...] It is oppressed youth or youth as a whole, who manifests its existence [...] If it evokes a crisis of representation, rather it is a divorce between peoples and States that should be addressed.”

Places are important for these movements - Tahrir Square, Gezi Park, Wall Street, Maïdan (Göle, 2014). In her brief and illuminating article Tali Hatuka (2011) writes about the circular rallies: “*The fundamental decision underlying the design of any protest concerns the spatial interaction among participants and its symbolic meaning. This decision is crucial in intensifying the solidarity among participants. For example, a speaker standing at the centre of a circular space projects a message of being part of the crowd and emerging from it, as opposed to a speaker standing on a high podium at the edge of a rectangular space, evoking distinct hierarchy and theatricality. [...] Leadership in this case is not concentrated but distributed.*” This new model is therefore horizontal, and proposes alternative ways of production and consumption, lifestyle(s) such as Freecycle exchanges, bitcoin, etc. In the next section, we will be discovering how we have been conducted to this changing world.

¹ A French ecologist group.

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Examples of transnational exchanges and ‘real life precursors’ inspired web projects

The transition from industrial to post-industrial society means the change of societal organization accordingly subordination of the materials (raw material, machinery) to intangibles (knowledge and information). Alain Touraine (2005) indicated this change through the title of his book “a new paradigm” which questions the material paradigm of industrial society. To determine a date for this change, we may refer to Jean-François Lyotard and Jean Baudrillard, both mention the years 1960/1970 for the origin of passage from ideological movements/meta-narrative to non-ideological movements/micro-narrative. According to Castells (1999), this transformation is achieved through “[...] *a historical coincidence of three independent processes: the information technology revolution; the economic crisis of both capitalism and statism, and their subsequent restructuring; and the blooming of cultural social movements.*”

There has been in history previous occupations that could be cited as civil disobedience activities. For example, *Reclaim the Streets* (from 1995 to 2003, mostly in the UK) is a collective with a shared ideal of community ownership of public spaces. They are opposed to the dominance of companies in globalization and the domination of cars as a mode of transport.² The “nobody is illegal” network also established the first noborder camp at the German-Polish border in 1998 and began a powerful anti-deportation campaign against Lufthansa. We should also be mentioning the usage of giant puppets in several manifestations as a playful and effective way of blocking streets (Graeber, 2011). In another case, nearly 25 people occupied a Starbucks store in Berkeley (Saturday, August 17 2002), claiming Berkeley as "a city without people for people without a city",

² To give an example, they once occupied a highway and planted trees.

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the group called attention on Israeli settlements in Palestine. They displayed a banner proclaiming the occupied cafe is called "Queerkeley: a prophecy fulfilled." They hooked signs such as "it works in Palestine, why not here "and" It is ours, because we say so."

Humor has an important role in these new forms of action. In 1968, the Chicago 7 trial of antiwar activists (who had been accused of conspiracy, incitement to rebellion and other charges related to the events), turned into a circus as the defendants and their lawyers used the court as a stage to attack Nixon, war, racism and oppression. Their tactics were so disruptive that at one point the judge ordered Hoffman Seale gagged and tied to his chair.

In 1994, 50,000 Indian farmers of Karnataka spent a whole day laughing at government offices, to oust corruption. The government collapsed the following week. In Mexico in 1999, the *Zapatista Air Force* launched an attack to a military fortress with hundreds of paper airplanes, on each written: "Soldiers, we know that poverty has made you sell your lives and souls. I also am poor, as are millions. But you are worse off, for defending our exploiter -- [President] Zedillo and his group of money bags." This action reminded us directly a slogan from Gezi movement in Turkey 2013, "Polis, simit sat, onurlu yaşa!" (Police, sell simit, live in an honorable way)³.

Manipulating posters especially movie posters and advertisements is one way of criticizing the economic and cultural system, like culture jamming, subvertising, street art, spoken word, protesting. For recent and online examples, we can mention the *memes* and also Bobiler community from Turkey. Bobiler is an online platform where users can

³ Simit is Turkish bagel which is probably the cheapest food in Turkey, might even cheaper than bread.

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share images or animated gifs they have created or manipulated, their products are much more “sophisticated” in comparison to ordinary internet users. In this website and in these productions, we can observe a common language. To analyze these communities, we do not have enough data for age, sex and city dwelling but we take some tools and methodologies of digital humanities, we do text mining and as a result we have an opportunity to adopt critical discourse analysis. We also track digitally frequencies and periods of production of users by extracting information from websites.

In the 1990s, creating fake personalities was trendy: Luther Blissett, Darko Maver (one of 0100101110101101.org projects), Harry Kipper were already known by their mystified stories. Yes Men of RTMark is also one of the well known examples of fraudulent characters: two militants, Jacques Servin and Igor Vamos (aka Andy Bichlbaum and Mike Bonanno) who caricaturize and criticize liberalism and the global economic system by making satirical presentations on behalf the World Trade Organization (WTO) and in the name of Dow chemicals (a widely protested multinational chemical company). Yes Men constructed fake sites which prank the originals, they made one for George Bush (no longer available), and their fake WTO website is still accessible. These are the same persons who published and distributed fake copies of New York Times entitled "The Iraq war is over". In their projects, we see a critique of political and economic system, but also the media and sources of information and of contemporary society.

Even if the latest examples were artist groups' projects, some of the activist projects are linked to social movements or disobedience activities. For example, in the case of Turkey, we can cite two interesting examples in 1990s: The Saturday Mothers

(*Cumartesi Anneleri* since 1995) and One Minute of Darkness for the eternal light (*Sürekli Aydınlık İçin Bir dakika Karanlık* in 1997 following the Susurluk case where the corrupt relationship between the state, the politicians, and the mafia was unveiled).⁴ The latter was repeated in 2003 by activists against the war in Iraq, but not really attended. Saturday Mothers was similar in form and pattern to Mothers of Plaza de Mayo (Argentina, since 1977). A minute of darkness has similarities with the act of civil disobedience in Poland in 1983. James C. Scott (1990) explains the act: *“The union (supporters of Solidarnosc) in the city of Lodz decided that in order to demonstrate their disdain for the lies propagated by the official government television news, they would all take a daily promenade timed to coincide exactly with the broadcast, wearing their hats backwards. Soon, much of the town had joined them. [...] the authorities shifted the hours of the Lodz curfew so that a promenade at that hour became illegal. In response, for some time, many Lodz residents took their televisions to the window at precisely the time the government newscast began and beamed them out at full volume into empty courtyards and streets. A passerby, who in this case would have had to have been an officer of the “security forces, was greeted by the eerie sight of working-class housing flats with a television at nearly every window blaring the government’s message at him.”*

We will continue with some recent examples from Turkey: in 2007, during the parliamentary elections, a group named %52 declared a fictitious program for elections in the name of "Allah Hepsinin Belasını Versin Partisi" (All be damned party), their language was satirical and asked voters not to vote for existing political parties. %52 was

⁴ We do not include the Republic Protests and demonstrations organized by AKP (Adalet ve Kalkınma Partisi - the Justice and Development Party).

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an allusion to Guy Fawkes, yet their way of reaction and political recklessness have been criticized repeatedly. What is different today from such communities, especially with online social networks such productions can circulate easily and reach more people, and communities are much more open to the participation of individuals non-attached to certain groups. The same group had published and distributed a flyer in 2006 entitled “People do not die in Iraq” in the name of “Club of people who scared to tell the truth” (Gerçekleri Söylemekten Tırsanlar Kulübü).

In 2006, the Surveillance Camera Players (Gözetleme Kamerası Oyuncuları) began organizing *Nobese Festival* where they criticize with performances and humorous signs the installation of 570 surveillance cameras in Istanbul. Who triggered the movement around the world was a New York collective "Surveillance Camera Players", a small informal group which is unconditionally opposed to the installation and use of video surveillance cameras in public places. The group has adapted nine works of performance before the surveillance cameras were installed in public (including adaptations of George Orwell's 1984 and The Mass Psychology of Fascism Wilhelm Reich) and wrote seven original pieces. Over the years, other SCP groups were trained in Tempe (AZ); San Francisco (CA); Stockholm (Sweden); Bologna (Italy); Istanbul (Turkey); and Vilnius (Lithuania); there was coordination between these groups. However, these are not only groups of activists and/or artists who organize those kinds of collective actions. Ertur (2008) cites those two examples: in 2007 a group of merchants in İzmir has have transformed a hole and excavations left by public sanctuary team. Again in 2007, a nationwide TV channel SKY Turk broadcasted only insignificant news during the

evening news following the Radio and Television Supreme Council's press black out about the soldiers who lost their lives.

Lastly, we should allude to *LAF* (*Liseli Anarsist Faaliyet* - Anarchist High Schooler Action), a group gathered behind a banner after the assassination of Alexis in Greece in 2009. After changing the name of "Kenan Evren High School" to "Erdal Eren High School" on the night of September 10, 2009⁵; in 2013 they changed a few other school names with the names of young people who were killed during Gezi resistance. In 2010, they boycotted a school canteen by sharing meals they brought. It reminds us “yeryüzü sofraları” (common evening meal breaking the fast on Istiklal Street in summer of 2013 during Ramadan). While it is clear that both actions were already part of new social movements' directories, it is worth to emphasize that these kinds of actions existed before Gezi. In the next section we will be discussing the role of language in politics, and resistance movements and will be giving examples.

Language created in resistance movements: case of Turkey before and after Gezi

We investigate new materials of production (new media, internet, social media, etc.) and training and usage of language as an artistic material and as a message in activist internet projects. Language as a “material” means computer code, acts of piracy or electronic sit-ins; while a “message” means written content and messages behind shared images. We may refer to a struggle of language between the authorities and the protestors/resistants, the authorities adopt a pejorative language for the protestors and in response the

⁵ Kenan Evren led the military coup of 12 September 1980, following the coup hundreds of thousands of people arrested, about 250 000 indicted, 50 of them sentenced to death and executed (one was Erdal Eren who was 17 years old at that time, but was registered 2 years older. Military Supreme Council rejected the bone test to determine his actual age). Dozens more people died in prison under torture and tens of thousands took the road to exile.

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protestors find humoristic and ironic strategies to fight against in this battle. For our research, the first important point is the medium(s) and their role in this struggle. The second important element is the satirical or humoristic language, the neologisms and the *détournements*.

Lachaud (2009, p.144) refers to Marcuse: “[...] *negative and constructive power of disruptive expressions of counter-culture can not be build unless a double necessity is realized: dismiss/reject the dominant language and invent a new one. This subversive character tends to destroy the historical function of art, then cites Marcuse “It is the effort to find forms of communication that may break the oppressive rule of the established language and images over the mind and body of man – language and images which have long since become a means of domination, indoctrination, and deception.”*”. The language of the oppressed, for him, has a natural affinity to protest and refusal. “*The language of the black strengthens solidarity, the consciousness of their identity, and of their repressed or distorted cultural tradition.*” (Marcuse, 1972, p.80) Marcuse emphasizes that today there is a break with the bourgeois tradition of art, like Jacques Rancière’s “the new regime of art”. According to Marcuse, this is a serious but also a popular break, he adds that the new 'open' forms or 'free forms' express not only a new style but also a change in the world of art, a change in the historical function of the art (p.80-82). Herein, in our research we refer to *dissensus* and the *aesthetic regime* of Jacques Rancière (2009a, 2009b) and *aesthetic experience* of John Dewey (1934).

According to Dewey, the fundamental element of the process of artistic expression is no longer the material work of art but rather the development of an experience. For Dewey

(1934), there is also an aesthetic aspect in ‘non-aesthetic’ productions and relations. An aesthetic experience cannot be held separate from everyday life experiences and the purpose of the aesthetics is to ensure the continuity between the refined art experience and daily life experience. For Rancière (2009a, p.5) an aesthetic experience is “a reconfiguration of the forms of visibility and intelligibility of artistic practice and its reception.” An artwork is “given in a specific experience, which suspends the ordinary connections, not only between appearance and reality, but also between form and matter, activity and passivity, understanding and sensibility.” (Rancière, 2009b, p.30) Dewey’s and Rancière’s writings give us a new perspective on the relations between daily life, aesthetics and art; and enable us to establish this relation in today’s productions. In analyzed projects, today’s productions, we observed significance and communality of the language.

Young people have a new common language, their products in the streets and online are intelligent and ironic; these productions also have their own language(s). Especially in case of online producers, we observed that in general they have a communitarian language. J.G.A. Pocock (1973, p.41) defines the ambiguities, contradictions and absurdities in languages as elements to discover to exploit not only for satire but also to break free from the life styles imposed upon us. From this perspective, we notice that the online activist productions correspond to that goal. Moreover, when there is an engaging street movement, or an issue, online productions proliferate.

Language as a resistance tool has always been used against the status quo ‘or conservatism’, it is therefore not surprising that we come across the same tool in the new

social movements. What is interesting is to see similar humoristic references in different social movements, or in different web projects. According to J.C. Scott (1985), language is part of “everyday forms of peasant resistance” as it has always been used in popular literature and culture. We observed that this new resistance or occupy languages are also positioned away from the language of the authority, the power, but also of the traditional left and right. In case of Turkey, we noticed that this new language did not appear suddenly but it has been built since the protests to protect Emek (an old cinema in city center), against internet censorship; it is also the result of the weekly satirical magazines (LeMan, Uykusuz, Penguen, etc.), and even recent websites (Eksisözlük, Zaytung, Bobiler, etc.)

According to Pocock (1973), we can talk about verbalization as a political action and verbalization of a political action. He gives the example of how Brutus justified his killing Caesar by calling him a "tyrant". (p.29) Pocock added “*Verbalizations act upon people-and so constitute acts of power-in at least two ways: either by informing them and so modifying their perceptions or by defining them and so modifying the ways in which they are perceived by others.*” (p.30) During Gezi movement, Prime Minister of the time Recep Tayyip Erdogan called the opponents "marginal", "thugs", the "scums" (çapulcu), "drunkards" (ayyaş) to intimidate the resistants and to consolidate his supporters (Göle, 2014). There was a similar negative propaganda against social media: Zeynep Tüfekçi (2014, p.7) pointed out “*The bans, however, and the demonization campaign – in which government officials repeatedly called social media a “force for evil,” a “destroyer of families,” a “purveyor of child pornography,” and a “haven for treason” – were aimed*

more to solidify government supporters than to target opponents, because the charges were so hyperbolic.”

But, on the other side, the resisters also used the same strategy against the hegemony. As stated by Pocock (1972, p.35), written also by Marcuse, language is an effective medium for communication and political action because “it is relatively uncontrollable and too difficult to monopolize”. Following the marginalizing speeches of the authorities, the protesters created examples of diversion and neologism in this language battle/struggle.⁶ The word “*çapulcu*” was quickly recaptured by the demonstrators, both original and anglicized versions, for the sense “one who fights for their rights.” *Chapulling* (Turkish: *çapuling*) is probably the most interesting example for neologism in Gezi protests. This originally negatively connoted term was transformed to a positive one and used for self-definition. The word was adopted by online protesters and activists, especially after a viral video was widely broadcasted. International supporters (such as linguist and political critic Noam Chomsky) posted photos on social media, holding signs written “I’m a chapuller too” (in their own languages). Another interesting phenomenon regarding the question of language; online Turkish-English dictionary *Zargan* adopted this new word ‘chapulling’ in their dictionary. The word *çapulcu* was also added to the *Urban Dictionary* and *Tureng*. A “pirate TV channel” was launched under the name *Çapul TV* and it broadcasted live from Gezi Park (on Ustream). After the evacuation of the park the channel continued to broadcast from local forums and still operates from a studio. This experience of pirate channel also corresponds with the experiences of pirate radio and

⁶ Here we refer to Henri Lefebvre (1958) to understand the parallelism between this language struggle and the struggle in *spaces* such as streets, cities, parks and cyberspace.

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television stations in the 1990s (in Italy and Eastern Europe where there have been several discussions on hack and hacktivism at that time).

Apart from neologism, Perin Gurel (2015, p.1) mentions Anglicism in the Gezi resistance: *“The incongruity between these two types of anonymity – one rebellious, masculine, and Hollywood-born, and the other domestic, feminine, and perceived to be deeply local – was emphasized in the bilingual label that attended the image: “V for Teyzetta [Auntie- etta].”* She also gives the example of graffiti "Just in Biber" based on a bilingual joke for the Turkish word for pepper *biber* (as in the pepper gas, *biber gazi*) and the famous pop singer Justin Bieber. *“[...] The humor lies in the doubly layered pun, as well as the juxtaposition of the vision of a glitzy young singer with that of protestors choking on excessive pepper gas”* she writes (p.13). The author reminds us that bilingual humor was also a part of the Turkish humor since at least the end of the Ottoman Empire, humor based on linguistic misunderstandings between different classes and ethnic groups appear in the shadow puppetry and joke cycles even earlier (p.11). We may add that references to the popular American television series or movies were visible above all in the park and in Istanbul. “Bu gaz bir harika dostum!” (This gas is fantastic bro – Hollywood way), “Tayyip, Winter Is Coming” (referring to Game of Thrones series), reference to Punk culture “God Save the Sultan”.

Regarding the visual language, penguins have become symbols of resistance to criticize the media following CNN Turk’s choice to air a documentary about penguins instead of showing images and news from Gezi movement. The standing man and rainbow stairs have also become visual symbols (even repeated out of Istanbul, in different cities and

countries). Some other visuals, especially tags on the walls, are also important in contact with other movements from various countries. In Tunisia, for example, we saw tags or graffiti but not so many online productions. We may refer to an iconography of these recent social movements, “poetics of resistance”, especially femininity. Lisiak (2014) gives following examples: Occupy Wall Street poster with the ballerina and the bull; the whirling dervish, the woman in red and the woman who resists against the water cannon in Turkey; the girl wearing blue bras in Egypt. We may even add, the young man reading a book to police, youth who construct the space working hand in hand, the mothers’ guard, etc. As our main subject is the online productions, in the next and final section we will discover the online examples from Turkey which are inspired by above-mentioned social movements, and also by the earlier activist artistic actions. In those online productions we will be re-exploring the common humoristic and critical language of the social movements and transnational dimension of this language.

A brief resume of online activist projects in Turkey

One of the projects that we observe is hoax news websites: The Onion (USA), Le Gorafi (France), News That Matters Not (India), El Koshary Today (Egypt), Zaytung (Turkey), etc. These websites question the 'realities' of everyday life and politics. They interrogate both the media’s attitude about disinformation and the truthfulness of the news broadcasted by mass media organs. We consider that these sites also criticize the lifestyle promoted for middle class workers, especially for those who work in *bullshit jobs*, referring to Graeber (2013) to describe jobs in the services sector which does not lead to an actual production. We argue that their production can be considered as awakener, their content offers a moment of alienation, a *distancing effect* or *estrangement effect* (Brecht,

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1936). We may also read texts published on those websites by Dadaists' claim: "*Art should not be an escape from daily events, but rather it should make visible the violence, chaos, and hypocrisies of contemporary life.*" (Dada, 2009)

Fake personalities or fake candidates for elections are also another phenomenon. In local elections of March 2014, there was a candidate 'Şafak Başgan' who led a campaign by creating a satirical personality, especially by using social media (Facebook and Twitter). His project was born in reaction to gentrification policies of the city of Istanbul and "crazy project" of the government. His campaign's visuals, videos and language are worth to analyze as once more in this case, we can read those materials as awakeners and détournements. His campaign criticized the political scene, the existing parties, and neoliberal politics applied by the government and the mayor of Istanbul. During the same regional election, in Ankara, a group of activist *Avareler* stuck ironic and humorous posters to the billboards of the municipality of Ankara (without permission), on behalf of a party that does not exist, Bal Porsukları Partisi (The badgers' party).

In cyberspace, we had seen electronic sit-ins on Googlemaps when discussing the company's new Internet law and censorship in 2011 (like the performances of Electronic Disturbance Theater). Anonymous like hacker group *RedHack* (active since 2005) took down some government websites and captured information leakage in some operations. In 2013, during the Gezi resistance, the same group hacked the screens inside a public transport (public bus in Istanbul), to announce that the resistance will continue. They displayed the sentence "Durak yok, yola devam" which means "No stations keep going on" on screens where passengers normally see the indication: "will stop in the next

station”. This was a clear allusion to the slogan of the government party (AKP) “Don't Stop, Keep Going On!”

Final online example is *Politabiler*. Bobiler created an extension on Google Chrome and changed the names of politicians as: Tayyip Erdoğan -> Tinky Winky-; Devlet Bahçeli -> Laa-Laa; Kemal Kılıçdaroğlu -> Po; Selahattin Demirtaş -> Dipsy; Ahmet Davutoğlu -> Umpie-Pumpie. I quote from the summary of their extension: “The sun is setting in the sky. The extension will be loved by those who download it. Will embrace those who were tired of politics and political news! [...] One, two, three, four, go and download the extension and run over the green hills. Auuw Uvuu.” This extension reminds us an artistic production: Newstweek is “*a device for manipulating news read by other people on wireless hotspots. Built into a small and innocuous wall plug, the Newstweek device appears part of the local infrastructure, allowing writers to remotely edit news read on wireless devices without the awareness of their users.*” Its slogan is “fixing the facts.” Politabiler works in a different manner; it’s a browser extension whoever heard about it can download it and have this experience anywhere there is internet connection; just the user have to heard about it, and in a politically polarized countries such as Turkey it is not that difficult. But in Newstweek’s case, the artists who created this tool they stayed in artistic or hacker environments, they installed the tool over Europe but we don’t have the information how many people realized that their newspaper content was hacked. That’s because we believe that Politabiler will probably reach more people than Newstweek did. On the other hand, it is obvious that Newstweek was criticizing media in a sophisticated manner, they had over 50 editors who were ‘fixing the facts’ which remind us the famous 1984 of George Orwell. Politabiler also criticizes politicians and the media but stays

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more playful and accessible than Newstweek. This last example was a very recent one, but the humoristic and ironic projects we have been witnessing are not born with Gezi, they always existed and there will always be newcomers. We will be continuing to analyze those projects to investigate the relationship between daily life, politics, arts and aesthetics.

Conclusion

In conclusion, in this article we have made a summary of new forms, repertoires of action, in theory and in practice. We focused on transnational exchange/share of directories and creative mobilizations. By doing it we noticed that there is a new language in these examples, and we traced the impact of this verbal and visual language before, during and after the Gezi movement in Turkey. Finally, we cited online activist productions and web projects which can be linked to Turkish resistance movement. We discovered the creative and disruptive actions and productions, and the importance of language in this process. To sum up, our future plan is to expand our search to other countries and try to present a comparative approach between countries where the resistance or the indignant movements occurred, such as Greece, USA, Egypt and Tunisia.

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Social and Solidarity Economy and the Crisis:

Policy challenges and opportunities

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Abstract

Social and solidarity economy is adopted in the public policy agenda from a variety of actors including the European Commission, the newly formed Greek government but also grass-roots movements in crisis-ridden Greece. What is the appeal of this new catchword to such diverse actors? To what extent the endorsement of the social and solidarity economy is as ideologically neutral as it is often presented in the public discourse? Are there competing visions and policies for the promotion of social and solidarity economy?

This paper unfolds diverse and often competing conceptualizations of social and solidarity economy through their manifestations in concrete public policy agendas. In this way, the paper links academic and policy discourses and demonstrates that academic battles are of importance for public policy formulations. Three areas of public policy for the social and solidarity economy are examined. The legal framework of social enterprises, the socially responsible public procurement of goods and services and the transfer of failing enterprises to cooperatives of former employees.

Keywords: *social solidarity economy, public policies*

1. Introduction

Social and solidarity economy is often cited in policy, academic and public discourse as the main driver for the necessary reconstruction of the Greek economy in order to move beyond the current impasse of the crisis. To what extent are these expectations well grounded? More importantly which are the main elements of a public policy towards the social and solidarity economy which could facilitate this process?

This paper addresses these questions by unfolding relevant debates on social and solidarity economy. First of all, we define social and solidarity economy and delineate differences with other concepts such as non-profit sector and social enterprises. Second, we focus on the meaning of economic reconstruction and compare it with socio-economic transformation. The latter does not entail a return to pre-crisis production and consumption patterns but opens up the debate on social needs and how these can be served better. Third, we explore to what extent a new policy trajectory is possible in Greece. Three specific areas of policy intervention are discussed, namely: the legal framework of social enterprises, the public procurement of goods and services from social and solidarity initiatives and the transfer of failing/bankrupt enterprises to worker cooperatives. These policy areas indicate the opportunities for different public and social-solidarity economy linkages but also manifest external and internal limitations posed by the dominant EU policy agenda on social economy (Social Business Initiative) and the Memorandum signed with the lender institutions. All in all, these examples show that the nearly universal endorsement of social and solidarity economy as the driver towards a post-crisis Greece loses its universality when specific policy options come to the fore. More importantly, what seems to be an ideologically neutral position towards achieving the common good becomes once again a terrain where different political visions are contested. Our analysis, shows that

debates over definitions are not pedantic games between academics but have implications on specific policy directions. We only need to move from academia to policy and unfold them.

2. Academic battles on definitions

The third sector consists of entities - such as cooperatives, nonprofit organizations and mutual societies - that cannot be easily classified in neither the private nor the public sector (Defourny, 2001). The term itself is widely accepted by a rich array of theoretical approaches (Moulaert and Ailenei, 2005) and emerges in many EU policy documents. As such, it seems plausible to use it as a starting point in order to delineate other concepts in use, namely solidarity economy, social economy, and the nonprofit sector (Table 1).

Table 1: The terminological ambiguity of the third sector

Solidarity Economy	Social Economy	Non Profit Sector
Includes all economic activities which aim at the economic democratization on the basis of citizen participation. They involve a dual perspective: economic because they attempt to create economic relations based on reciprocity while making use of resources from the market and welfare state redistribution and political because they attempt to create autonomous public spaces and open up discussion on both means and ends.	Includes all economic activities undertaken by enterprises, mainly cooperatives, associations and mutual societies, which adhere to the following principles: <ul style="list-style-type: none"> • providing members or the community a service rather than generating profit • independent management • democratic decision-making, and • priority given to persons and work over capital in the distribution of income. 	Includes all nonprofit organizations with the following characteristics: <ul style="list-style-type: none"> • legal entities, institutionalized to some meaningful extent, • private, institutionally separate from government, • non-profit-distributing, not returning profits generated to their owners or directors, • self-governing, equipped to control their own activities, • voluntary, i.e., involving some meaningful degree of voluntary participation.

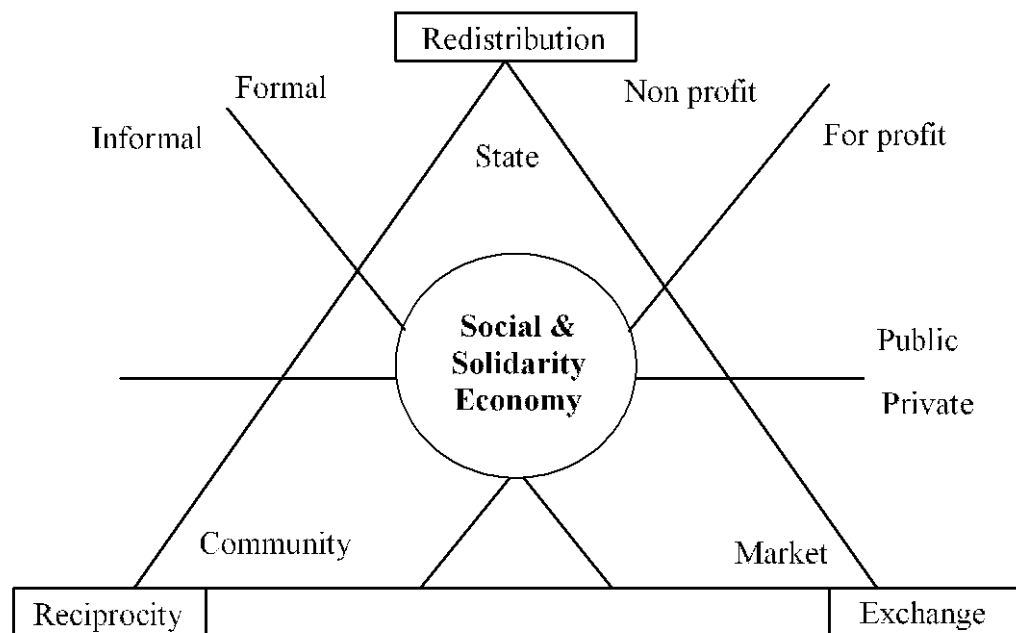
Table 1: The terminological ambiguity of the third sector

Source: Adam and Papatheodorou (2010)

Table 1 describes the terminological pluralism which underlines diverse theoretical approaches and historical trajectories. The relevant concepts are presented intentionally from the left to the right in conjunction with their connotation in the literature. Schematically, the term Solidarity Economy is mostly associated with radical approaches which emerged in the framework of social movements mainly but not exclusively in Latin America. Social Economy is more francophone in its origin and clearly incorporates the experience of the European cooperative movement. The term Non Profit Sector follows the Anglo-American tradition of charities.

Having sketched the main terminological issues, it is important to proceed with a critical examination of the main theoretical approaches. The Anglo-American tradition has largely focused on the emergence of Non-Profit Organizations (NPOs) through the lenses of orthodox economic analysis (Weisbord, 1975; Ben Nér and van Hooymissen, 1991; Hansmann, 1987; Rose-Ackerman, 1996). As such, the third sector is analyzed as distinct from both state and market without any reference to its historical dynamics in specific social formations and is theorized as a response to state failures (provision of uniform services to diversified needs) and/or market failures (asymmetric information, transaction costs). In contrast, theoretical approaches of social and solidarity economy analyze the associated practices as hybrids within the intersection of state, market and community practices and their respective underlying operating principles (redistribution, exchange, reciprocity). The social economy approach focuses more on the convivial nature of this interplay while the solidarity economy approach highlights the tensions inherent therein. It is useful to illustrate the main tenets of this heterodox approach with the use of Figure 1.

Figure 1: Positioning social and solidarity economy practices



Source: Pestoff (2004)

Social enterprises express new dynamics within the third sector (Defourny & Nyssens, 2006). The afore-mentioned theoretical differences are reflected in alternative conceptualizations of social enterprises in the Anglo-American and European traditions. The US-led approach defines social enterprises in a broader way (Kerlin, 2006; Kernot, 2009) placing them in a continuum of hybrid cases including Non-Profit Organizations (NPOs) trying to secure market income and for-profit enterprises developing socially responsible activities. This positioning of social enterprises follows a number of underlying assumptions: a) no collective ownership or democratic decision-making is required, b) market generating income is deemed the most important source of funding, and c) the activity developed does not require the fulfillment of any specific criterion (i.e. social usefulness) as long as it generates income for a “good” purpose.

The European tradition positions social enterprises within the universe of social economy practices as an intersection between two families of organizations: cooperatives and NPOs (Defourny & Nyssens, 2008). In particular, social enterprises resemble more worker cooperatives and NPOs with productive activities. On the one hand, they move closer to cooperatives, because they explicitly undertake a continuous economic activity. On the other hand, they move closer to NPOs because they do not serve only their members as traditional cooperatives did, but they often express the interests of different stakeholders formally (multi-stakeholder membership or management) or informally (open events, assemblies with the participation of community members). This approach is based on the following underlying assumptions: a) social enterprises are collective initiatives, b) they are democratically owned and/or operated, c) they undertake activities with social usefulness and d) they involve the wider community in their operations.

In sum, there are differing conceptualizations of social economy practices in general and social enterprises in particular. These alternative visions raise in turn different expectations. In a nutshell, social enterprises can be seen as market-driven solutions to social problems (neo-liberal discourse), as remedies for the correction of both market and state failures (third way thinking), as emancipatory projects for economic and social transformation (radical approach).

3. Socio-economic recovery or transformation?

Given the significant decrease of GDP in crisis-ridden countries such as Greece, the promotion of social economy is often linked with the restoration of economic growth. In parallel, social economy is also expected to address major social challenges (unemployment, social inequalities and new needs for social services) by fostering a new social pact with reduced roles assigned to traditional actors including the welfare

state (European Commission, 2013a). This vision of the European policy agenda on social economy raises great expectations on the capacity of social economy entities to achieve multiple goals while leaving the building blocks of the growth model which led to the crisis in the first place, as well as its neoliberal management since then, unaffected.

This paper argues that public policies grounded on this conceptualization of social economy are not likely to come up to these expectations and bear significant results. The comparative advantage of the solidarity economy approach stems from the fact that it opens up again the quest for social transformation (Kawano, 2010; RIPESS, 2015). By social transformation, we address three fundamental economic questions: social needs, relations of production and relations of circulation.

Lebowitz (2003) has contributed significantly to the definition of social needs in his endeavor to complete the missing part of Marxian analysis on wage labour. In this framework, he offers the following significant insights: a) social needs are themselves the product of social production and intercourse in a given society and at a given point in time, b) the greater the development of productive forces, the greater are the social needs, c) within capitalism, production is geared towards the realization of profit and not in proportion to social needs, d) there is a level of masked needs within capitalism, needs left unsatisfied but necessary for the full development of subjectivity in each given society and at a given time, e) given the variability of social needs along the development of productive forces, rising real wages are compatible with increasing relative poverty if social needs are left unsatisfied.

Social and solidarity economy as a transformative project does not just aim to restore economic activity and create jobs but to challenge the core function of production for profit instead of the production for social needs. In this framework, the selection of

productive activity is also crucial with priority given to activities which protect the environment or at least do not harm it to the same extent as previous ones (i.e. recycling), have the potential of developing synergies with other local economic activities (i.e. food processing of local produce) and in general contribute to the well-being of the wider community (i.e. community-supported agriculture).

SSE's transformative project also entails a change in the relations of production by placing the focus of attention on collective ownership of the means of production and democratic decision-making procedures. In this way, SSE revives old concepts and practices such as self-management (Nestor, 2014). Apart from a political imaginary about the ability of people to exert control on all aspects of their daily lives, self-management has also taken the form of a concrete practice in different contexts and times, including the experiences of former Yugoslavia (Miller, 1978) as well as the recent experiences of recovered enterprises under workers' control in Argentina (Ruggeri, 2014). Despite reported ambivalence about the extent to which self-management was/is pursued across these diverse practices or about the balance between economic efficiency and equalitarianism (Davranche, 2014), self-management in its various manifestations informs many SSE practices until now.

Addressing social needs via new productive relations presupposes in turn the need to move beyond the binary state-market or put it differently to accomplish a mix of resources (Gardin, 2006) which protects the autonomy of SSE practices versus the dominant tendencies for isomorphism towards the state or the market (Di Maggio & Powell, 1983). Without ensuring alternative circuits for the exchange of credit, the purchase of inputs and distribution channels for their products based on relations of reciprocity, SSE entities are doomed to obey the dictum of the market and the logic of commodity or depend exclusively on the resources made available by the state. On the

other hand, contrary to what might be seen as conducive to their transformative potential, exclusive reliance on symmetrical exchanges among similar minded initiatives may also pose threats if it restricts these initiatives to dwarfish and marginal productive activities. It is exactly in the management of these tensions towards a post-capitalist future where the true strength of SSE lies as a social transformative project.

4. Which public policies for SSE?

The interplay of SSE as a grass-root movement with state institutions poses important challenges for the realization of the transformative potential of these entities. In this section, we will focus on three different policy areas, namely: the legal framework for social enterprises, socially responsible public procurement and the transfer of failing/bankrupt enterprises to worker cooperatives. As we will see, in each of these areas, conflicting visions of SSE are contested.

a) The legal framework for social enterprises

The European Commission is placing great emphasis on social entrepreneurship as the major driver of social economy. In particular, the Social Business Initiative defines a social business as “an undertaking:

- whose primary purpose is to achieve social impact rather than generating profit for owners/shareholders,
- which uses its surpluses mainly to achieve these goals,
- which is managed by social entrepreneurs in an accountable, transparent, innovative way, in particular by involving workers, customers and stakeholders affected by its business activity” (European Commission, 2013b, p.4).

The EMES European Research Network has rightly pointed out in its position paper on the Social Business Initiative (EMES, 2011) that the terminology adopted in the

Communication is confusing by interchangeably referring to the terms social entrepreneurship, social enterprise and social business despite the fact that each one reflects diverse approaches and contexts. In particular, social entrepreneurship reflects the Anglo-Saxon (mostly American) and more market-oriented tradition where social enterprises are seen as the product of a single benevolent entrepreneur (as discussed in section 1). As for the term social business, it implies that any type of private legal entity (including mainstream for-profit companies) can be labelled a social business if it addresses an explicit social purpose. Social businesses do not signify new dynamics within the universe of SSE entities but market-driven approaches to social problems. As such, they do not reflect the transformative potential of the SSE paradigm while they blur the boundaries with other practices such as Corporate Social Responsibility (CSR).

The tendency to broaden the spectrum of legal forms which can be granted the status of a social enterprise raises a number of issues that need to be addressed. First, what is the demarcation line between a traditional actor of the social economy (i.e. a worker cooperative) and a social enterprise? The intrinsic character of a cooperative entails a degree of sociality given the collective ownership, the democratic management, the distribution constraint imposed upon the allocation of surplus and the openness to new members which increases the constituencies benefiting from the cooperative (Fici, 2009). Therefore, the demarcation lines between cooperatives and social enterprises lie in the orientation of the activity undertaken which clearly benefits the wider community and not only members (i.e. environmental preservation) and/or the requirement to submit annual social reports and/or the prohibition of any profit distribution and/or the multi-stakeholder character with the formal or informal participation of users and other members of the wider community. After all, this is the

reason why the first institutionalized forms of social enterprises took the form of social cooperatives (i.e. Italy) and added these extra requirements in terms of social utility of the activity undertaken.

Opening up the legal status of social enterprise to all legal forms necessitates strong enforcement, monitoring and control mechanisms in order to counterbalance the lack of the social economy criteria found in the cooperative legal forms. If the principle one person- one vote is not legally enforced, what does the involvement of all stakeholders affected by the social enterprise mean and how can it be monitored? In addition, how can one protect the status of social enterprise from opportunistic behavior if no profit distribution constraint is legally imposed?

The example of the legal framework on social enterprises shows how diverse conceptualizations shape legislative action and in turn public policies. The open approach to the legal status of the social enterprise implies that all legal forms may be eligible for grants, concessions or deemed preferable for socially responsible public procurement to which we now turn.

b) Socially responsible public procurement

The ability of the wider public sector to act as a buyer from social and solidarity economy entities falls within the area of socially responsible public procurement. This particular type of linkage between the wider public sector and SSE is of interest from a policy perspective because it is strongly related with two confronting views of the potential role of social economy in the current socio-economic order. The first view endorses social economy to the extent that it facilitates the retrenchment of the welfare state (Graefe, 2006) especially during these times of crisis and the imposed orthodoxy of austerity measures. The second view attempts to explore the potential of SSE to transform the economy by “eating up” the space of profit-oriented mainstream

capitalist enterprises and develop mutually beneficial relations with state planning. For example, two presidential decrees in Venezuela (2003, 2004 respectively) directed public procurement from all state institutions and enterprises to give priority to cooperatives and small enterprises within a model of radical endogenous development (Azzelini, 2013). What room is left in continental Europe for this type of synergies between the state and SSE?

According to the relevant guide on public procurement with social considerations published by the European Commission (2010), socially responsible public procurement means “procurement operations that take into account one or more of the following social considerations: employment opportunities, decent work, compliance with social and labour rights, social inclusion (including persons with disabilities), equal opportunities, accessibility, design for all, taking account of sustainability criteria, including ethical trade issues and wider voluntary compliance with corporate social responsibility (CSR), while observing the principles enshrined in the Treaty for the European Union (TFEU) and the Procurement Directives” (European Commission, 2010, p. 7). In addition to social considerations, there can be also environmental considerations in public procurement. Let us focus in the following only on social considerations according to the currently in force EU procurement directives 24 and 25.¹

The first option available is the one referring to reserved contracts (Directive 2014/24/EU, Article 20). By that we refer to the ability of public contracting authorities to reserve participation in public procurement operators to sheltered workshops and certain economic operators and programs which aim at the professional and social integration of disabled and disadvantaged persons. According

¹ Directives 2014/24/EU and 2014/25/EU.

to recital 36 of the same Directive, disadvantaged persons include social groups such as the unemployed, members of disadvantaged minorities or otherwise socially marginalised groups. In addition, the Directive specifies that disabled and disadvantaged workers from these social groups should account for minimum 30% of all employees reducing the threshold from the 2004 Directive previously in force.

With regard to the provisions of this Directive on reserved contracts in general, we can make the following remarks. The transposition of this provision in the legal framework of each member state is not mandatory. The preferential treatment of social economy enterprises is restricted to the area of social inclusion of marginalized persons. In addition, the way this Directive is formulated, leaves ample room for the development of any type of legal entity which by employing 30% of marginalized persons might be eligible for reserved contracts regardless of whether it adopts the legal form of a social cooperative (democratic management and decision-making) or not. This could create tendencies for opportunistic behavior unless further requirements are put in place such as that statutes and/or other statutory documents of the applicant organization clearly state socio-economic integration of marginalized groups as their main goal of operation (Social Platform, 2015). It is also important to establish monitoring mechanisms to ensure quality employment and penalize the temporary employment of marginalized persons by a company in order to secure a reserved contract. Moreover, reserved contracts cannot exceed two consecutive years for the same economic operator. Last but not least, there are no specifications as to how to avoid a competition between work integration social economy enterprises in terms of a war to the bottom which could be both detrimental for the quality of employment relations within them, as well as the collective identity of social economy actors.

With regard to particularities of the Greek reality, the Greek legal framework remains fragmented and incomplete with regard to this type of employment programs. In particular, sheltered productive workshops in Greece are foreseen by Law 2646/1998 while the presidential decree which is supposed to regulate the legal form, the organization, the operation, the employment criteria, the funding mechanisms, the employment relations and remunerations systems as well as the methods for the promotion of their products has not been issued up until now (Adam, 2012). For these reasons, reserved contracts in Greece were traditionally addressed to the Social Cooperatives of Limited Liability (KOISPE in Greek) offering socio-economic integration to persons with mental health problems within the framework of Presidential Decree 60/2007 (Article 18). However, even this provision is not well designed given that the Presidential Decree foresees that the majority of employees should be disabled persons whereas in KOISPE, people with mental health problems should account for at least 35% of total members, not necessarily workers (Adam, 2014). Another economic operator which is eligible according to the new Directive is the recently established type A Social Integration Social Cooperatives (type A KOINSEP in Greek) which address the socio-economic integration of special social groups who should account for 40% of the total work force.

The second available option concerns the ability of contracting authorities to opt for the Best Quality Price Ratio (or the Most Advantageous Economic Offer-MEAT) instead of the lowest price or lowest cost bid (2014/24/EU, Article 67). In any case, despite the ability to introduce quality criteria (i.e. social considerations), the following caveats have to be borne in mind: a) Social considerations should not alter the level playing field and favor a particular type of provider. b) For award criteria to explicitly include social considerations, the latter have to be related to the subject

matter of the contract albeit in all the life cycle of the contract. c) The ability of contracting authorities to avoid the lowest price largely depends on the size of public coffers which are seriously shrank in the framework of the imposed austerity measures. Explicit social considerations such as the creation of employment opportunities for the long-term unemployed, the prior training of young persons or formerly unemployed and the use of fair trade products are mostly applicable as contract performance conditions and cannot be considered during the assessment of tenders.

More importantly, it is only in the case of social, health and cultural services (2014/24/EU, Article 76), where contracting authorities have the ability to reserve contracts for certain type of organizations which fall within the spectrum of social economy given that they are required to fulfill all of the following conditions: a) they have a stated objective of pursuing a public service mission which is directly associated with the provision of the contracted service, b) some sort of distribution constraint is in force (i.e. reinvestment of profits in the organization and/or participatory distribution), c) ownership and management structures follow participatory principles (including employee ownership and/or multi-stakeholder structures with the involvement of employees, users and other stakeholders), d) the same organization has not benefited from another reserved contract for the same type of services within the past three years (2014/24/EU, Article 78, Paragraph 2).

All in all, even though the new Directives for social responsible procurement broaden up the scope for the inclusion of social considerations, they do not seem to take into account the inherent sociality of social economy enterprises as better contractors in comparison with mainstream capitalist enterprises. Once again, social economy enterprises are only reinforced in so far as they are related to socio-economic

integration of marginalized social groups and/or the marginal social sector and preferably when they allow for the further retrenchment of the welfare state.

c) Transfer of failing enterprises to worker cooperatives

Another major area of policy concern in the framework of the crisis has been the growing number of failing businesses and the quest for the continuation of the productive activity through worker cooperatives (CECOP-CICOPA, 2013). The endorsement of business transfers to worker cooperatives by the EU and certain member states more so (i.e. France, Italy, Spain) is more grounded on the need to preserve jobs and local economic activity than on the socio-economic transformation of the productive activity under workers' democratic control (EESC, 2012; EP, 2012). However, even here a few caveats might shed some light on diverse policy options. The successful conversion of failing or bankrupt enterprises into worker cooperatives hinges upon labor protection law, bankruptcy law and cooperative legislation.

First of all, it is the timing of the whole transfer process which largely depends on the ability of employees to accede and assess information on the financial trajectory of the enterprise. Few countries make it obligatory for the employer to dispose such critical information in a timely manner as part of labor protection rights and/or collective bargaining (Argentina, Italy, Spain) and in some cases only when a certain threshold of employment is superseded (France) (ILO, 2014). Given the predominance of very small, small and medium-sized enterprises in Greece with the associated lack of workers' council at the enterprise level, the ability of employees to demand access to information is seriously curtailed (Kouzis, 2012). As such, employees are only informed about the economic situation of their enterprise after the official declaration of insolvency or bankruptcy, which limits to a large extent the

conversion into a worker cooperative as a preventative rather than a reactionary measure (ILO, 2014).

Second, one of the major instruments for employees' protection in case of insolvency is the preferential treatment of workers' claims versus other creditors from the assets of the enterprise (ILO Convention C173, articles 5 and 6).² Even though this Convention has not been formally ratified by Greece up to now, a privilege of workers was sustained according to bankruptcy law. In particular, according to article 154 of the former bankruptcy code in Greece, workers' claims up to 2 years before the official declaration of bankruptcy benefit from the general privilege in the order of creditors together with the public sector for overdue taxes and social security funds for overdue contributions. However, even with the former code, workers' claims were secured up to their half under the general privilege if other creditors (i.e. banks and other financial institutions) secured their claims (Kouzis, 2012). This aspect is of paramount importance if employees are attempting to continue the productive process in premises under mortgage. Even this frail protection was removed within the framework of the Memorandum signed in July 2015. The general privilege of workers' claims and the public sector for overdue taxes and social security contributions was abandoned in enforcement and insolvency proceedings given amendments in the Civil Procedure Code (Law 4335/2015) which give priority to the special privileged claims of the secured creditors and up to a certain extent even unsecured creditors (in most cases banks and other financial institutions). Therefore, a

² Article 5: "In the event of an employer's insolvency, workers' claims arising out of their employment shall be protected by a privilege so that they are paid out of the assets of the insolvent employer before non-privileged creditors can be paid their share" and Article 6: "The privilege shall cover at least: (a) the workers' claims for wages relating to a prescribed period, which shall not be less than three months, prior to the insolvency or prior to the termination of the employment; (b) the workers' claims for holiday pay due as a result of work performed during the year in which the insolvency or the termination of the employment occurred, and in the preceding year; (c) the workers' claims for amounts due in respect of other types of paid absence relating to a prescribed period, which shall not be less than three months, prior to the insolvency or prior to the termination of the employment; (d) severance pay due to workers upon termination of their employment" (ILO Convention C173).

major instrument for the conversion of bankrupt enterprises to worker cooperatives is seriously undermined given that the general privilege of workers' claims and the public sector could provide some room for state expropriation of insolvent enterprises and their transfer to worker cooperatives (ILO, 2014) in cases where job preservation can be sustained and guaranteed.

Last but not least, the existence of a coherent legislation of worker cooperatives is of outmost importance in these cases because it provides the vehicle for the socio-economic restructuring of the failing and/or bankrupt enterprise. Even though, mixed schemes may be used for conversion purposes (including participation of former owners and other creditors in the equity of the new enterprise), the worker cooperative is a preferable option because it also entails the collective ownership and democratic management of the new venture (ILO, 2014). Despite the fragmented cooperative legal framework in Greece concerning cooperatives,³ up to now there are no provisions for a genuine real worker cooperative in Greece despite its great merits as stated by CECOP-CICOPA (2013, p. 3): "A worker cooperative's key mission is to create and maintain sustainable jobs, in a strong local development and wealth generation perspective. Its members are the employees of the enterprise, who thus jointly decide on the major entrepreneurial decisions and elect and appoint their own leaders (boards of directors, managers, etc.). They also decide on how to share the profit with a twofold aim: a) to provide a fair remuneration in the form of returns based on the work done (in fact an adjustment of the price of remuneration); and b) to consolidate the enterprise and its jobs over the long term by building reserves. Finally, the cooperative spirit promotes employees' information and training, a prerequisite to

³ Indicatively, there are disparate laws on agricultural cooperatives, civil cooperatives, social cooperatives of limited liability, social cooperative enterprises and forest cooperatives.

develop the autonomy, motivation, responsibility and accountability required in an economic world which has become increasingly insecure.

Concluding remarks

The nearly universal of social economy in the public policy agenda masks different conceptualizations and policy options within the framework of the crisis. These different conceptualizations are not pedantic games among academics but reflect different socio-economic trajectories and ideological constellations.

The non-profit approach based on the Anglo-American charity tradition focuses on the ability of certain organization to deliver better services than the state and the market. The continental European social economy approach incorporates the experience of the cooperative movement and addresses the quest for the expansion of democracy in the economy without putting into question the building blocks of the mainstream capitalist economy. The solidarity economy approach stems from grass-root movements with dual political and economic goals for socio-economic transformation.

This transformative potential is expressed as a quest for a new socio-economic organization which moves beyond the production for profit and prioritizes social needs. Regardless of the ability of such initiatives to fulfill their declared goals within the framework of the existing world order, at least the open up the discussion on how social needs are produced at a given time and in a given society and how we can move towards their satisfaction in a collective and democratic manner.

These different aspirations are often masked within the policy agenda under a universal endorsement of social economy. However, if we delve into diverse policy options in specific areas of concern, battles over definitions become important and ground diverse policy trajectories.

The recent focus of the European Commission on social businesses follows a certain tradition which confuses different terms (social enterprises, social entrepreneurship and social businesses) and treats all legal entities as pertinent to the label of social business given that they perform a social utility function. As such, we lose sight of the fact that social enterprises at least in Europe form part of the universe of social and solidarity economy practices as collective endeavors which move existing boundaries of traditional social economy actors to more socially useful directions. Therefore, the quest to open up the legal status of a social enterprise to all legal entities is grounded more on the focus of finding market solutions to social problems (especially in the framework of the retrenchment of the welfare state and the current neoliberal management of the fiscal crisis) than on the quest to respond to unsatisfied social needs in ways which promote further democracy and solidarity.

A similar logic is found in the ability to explore synergies between central planning and SSE entities as manifested in the recent EU Directives on public procurement. Once again, the options available for a preferential treatment of social and solidarity economy initiatives are constrained by the rule of competition. In this framework, social economy can be preferred only in reserved contracts and only when it engages those furthest away from the labour market (i.e. disabled) even though a growing part of the working population is excluded from the labour market in the framework of the crisis without being designated as inherently socially vulnerable. More importantly, it becomes evident that more room for a preferential treatment of social economy is in the sector of general services of social, health and cultural services. Therefore, social economy is preferred to the extent that it substitutes for the welfare state and rarely as a counterbalance to the mainstream for profit sector. If we further take into account the quest for opening up the legal status of social enterprises to all legal entities

regardless of legal enforcements on collective ownership, democratic decision-making procedures, etc., it can be deduced that social economy is seen as a soft privatization strategy.

The reluctance to counterbalance mainstream for-profit economic activity with the transformative potential of SSE entities is also manifested in the area of business transfers of failing/bankrupt enterprises. Here, despite the dominant rhetoric on the interest for job preservation, conversion hinges upon the institutionalization of labour protection rights for timely information by the owner on the economic situation of the enterprise, on the recognition of the general privilege of workers' and public sector claims over other creditors and the incorporation of legislation on worker cooperatives. Even though the current crisis poses significant challenges which that the destruction under way is not experienced as creative for the majority of the population, insolvency proceedings and enforcements are amended in order to favour mostly banks and other financial institutions.

This discussion aims to bridge the gap between academic and public policy discourse and to show direct linkages between the two. As such, alleged scientific neutrality is seriously contested on the grounds of recent policy developments. For those interested in the transformative potential of SSE entities, a romanticized view in the abstract of a common commitment to support social economy will not suffice. Concrete political constellations have to be created and sustained and elaborate a clear vision of which support policies they favour and which they contest. This cannot happen in the vacuum or in a laboratory. It necessitates the careful examination of all relevant policy fields and real synergies with grass-root social movements developing SSE practices. More importantly, international alliances are of critical importance for pushing forward such policy changes. Legislative reforms, no matter how minimal,

may foster or block different conceptualizations of SSE and these steps affect practices on the ground. The work of international SSE networks is crucial in this regard.

The crisis has been a catalyst for the development of numerous SSE initiatives in Greece. Whether these will be left unassisted to thwart or be given a further impetus to flourish remains to be seen. However, the continuation of the austerity measures within the new Memorandum signed with the lender institutions may shrink the potential for pushing public policies which facilitate the transformative potential of SSE. Without arguing that the strength of SSE initiatives depends exclusively on public policies through a top-down approach, we cannot disregard the effects of legislative and public policy reforms. Diverse vision inform specific policy options and we have to be able to identify them and be specific. After all, as we have seen extensively in this paper, reformism is a serious task to be left unattended.

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The “Social Economy” in the time of crisis

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Abstract

During the crisis (2008 -) a “new Social Economy” seems to be emerging in the European Union. It supports “solidarity economy” by promoting enterprises mainly cooperatives into the “active welfare state”. The new forms of “Social Economy” were introduced in the Greek public policy through the European Strategy 2020 ("Europe 2020"), recorded by the Law 4019/2011 and reflected in the national and regional strategic development frameworks for 2014-2020 through the adoption of specific objectives mainly related to the Social Cooperative Enterprises (Koin.S.Ep). The “new Social Economy” seeks to potentially be established as a core value of social policy in Greece in order to be the main element of the overall policy making that will potentially lead the Greek public administration to limit the consequences of the economic recession such as: unemployment, poverty and social exclusion.

As part of the efforts made by the Greek public administration to the direction of combating poverty and social exclusion, the interest is focusing on the interpretation of the “Social Economy” in public policy and its specific institutional environment in

Greece. Given the fact that the “new Social Economy” is still at a very early stage of implementation the interest is enhanced by the ability to provide timely responses to policy making through the comprehension of the Greek social policy and administration. Since the “Social Economy” relates to social policy as a policy of “employability”, crucial issues on design and implementation of employment policy in Greece will be developed focusing on cooperatives. Particular interest will be given to the implementation of the “new Social Economy” at central and regional level due to the importance of the involvement of all actors in the construction of a “Social Economy” which potentially leads to an effective social administration for the benefit of unemployed.

Key Words: *Social Economy, Social Cooperative Enterprises, Public Policy, Social Services, Unemployed.*

1. The “Social Economy” in Public Policy. A Brief Historical Review.

Introduction

The "Social Economy" made its appearance in Europe in 18th century. Since then it may attributed to many different interpretations and approaches. The “Social Economy” is interpreted here as being part of the state’s relations with “significant others” of policy seeking to pursuit social cohesion and prosperity. “Social Economy” and “Social Policy” could be regarded as identical in this perspective.

The multi-interpretation of the “Social Economy” becomes apparent in the Greek Public Law 4019/2011 which gives to the term “Social Economy” a very broad definition which is: *"Social economy" is the sum of financial, business, productive and social activities undertaken by legal persons or associations, whose statutory purpose is the pursuit of collective benefit and serve broader social interests*" (N.4019 / 2011, Article 1, parg. 1). Under this scope, all potential forms of social and economic activity - by anyone acting as a legal entity and thus by the state - and through any form of provision of links between these forms, may serve the "Social Economy".

The “Social Economy” in public policy varies within the institutional environment and the current social system that is been constructed (sociological institutionalism) (Berger, & Luckmann, 1966, March & Olsen, 1989 & 2005, Muller & Surel, 2002, Vlasaki, 2012). It is also forms its particular content historically (historical institutionalism) (Berger & Luckmann, 1966, March & Olsen, 1989 & 2005, Pierson, 1996 & 1993, Muller & Surel, 2002, Vlasaki, 2012) through the relationship that the state develops with different actors and policy communities (*policy communities*) (Marsh & Rhodes, 1992, Smith in Hill (ed), 1998, Kenis et al, 1991, Vlasaki, 2012).

Public policy is attracted by the "Social Economy" over time due to ethics and morality symbolisms that the word “social” gives to the “economy” in capitalism. Its values of collectivity and solidarity towards poor and the excluded compose the content of this moralization and the efforts made by the state-actors relations to achieve prosperity and social cohesion in capitalism. Under this approach, the “Social

Economy” in Public Policy is theoretically tries to limit the consequences of capitalism, such as poverty and social exclusion.

1.1. The “Social Economy” in the Industrial Era.

From the late 18th century to the early 19th, the "Social Economy" was connected with cooperatives, associations and mutual societies. They were self-help organizations, consisted by workers and other social groups that were needed care to face the hard living conditions of the industrialized and urban world (Monzon & Avila, 2012:13). The emergence of "Social Economy" through the vision of association had developed close links with the trade unions of the 19th century, as were the mutual societies (mutual insurance of workers) in England (Campos & Avila, 2012:14). The socialist ideas of cooperativism (associationism) which promoted the value of solidarity played a central role in the development of "Social Economy" of the time, as Claude-Henri de Saint-Simon's ideas did in France (Campos & Avila, 2012:15).

The term "Social Economy" probably first appeared in the economic thought in 1830. (Campos & Avila, 2012, Moulaert & Ailenei, 2005). By 1860 the idea of social economists which was affected by T.R. Malthus and S. de Sismondi, attempted to restrict the free market economy by defending the introduction of human-liberal principles in it. Their attempt revolved around trying to create collective forms of liberal capitalism in a way of achieving social peace (Forni et al, 1998, Ewald, 2000:76 & 94-98, Brooke, 1970, Vlasaki, 2012:39) between the two sides of the wage labor: the workers and the employers/capitalists.

1.2. The “Social Economy” in the “Welfare State”

After the 2nd World War in Europe, the state, known as “welfare state”, becomes the main body of "Social Economy" drawing under the Keynesian economics and corporatism (Kaynes, 1936, Schmitter & Lahmbruch, 1979, Gravaris, 1997). Under the left parties and the trade union influences to European governance, state - trade unions - and employers agreed upon the "Social Economy organization" and to a kind of a state collective action (Vlasaki, 2012).

The state collectiveness constructed around social rights recognition and regulations on the wage labor concerned the social insurance system. Through the insurance system, the state proceeded to a redistribution of social services (health, education etc) and other social resources (unemployment allowance, pensions, maternity, children and elderly benefits) that compose a kind of *social property* (Castel, 2004, 2002, 1996, also Vlasaki, 2012) for workers.

The state insurance system represents an act of collective responsibility where workers and employers contribute, by insurance contribution, to the protection of the workers from the labor risks, as unemployment. Through legal paths of work regulations the state appears obliged to serve the society and restore the lost "moral community" in the industrialized & modern world, forming a set of obligations and rights binding organic relations between the two sides of wage labor (organic solidarity) (Durkheim, 1984). Social solidarity in the organic pattern is becoming political process in a way where the state seeks to elevate a primitive human element of solidarity (the man is a social being by nature) to a political one in order to cover

the anomie phenomenon of industrialization. At the anomie situation according to Durkheim, individuals released from moral and social rules of traditional community. A distinguished "deficit" regulation of social behavior occurred, which led to the deregulation of social and collective forms of human relations. Deregulation refers to the first phase of societies' individualization (Beck, 1996, Beck and Beck-Gernsheim, 2002) where solidarity of industrialized or modern societies is compromised or changed content due heterogeneity and the diversity of their members.

The welfare state is constructing around the insurance system legal and political forms of social solidarity (Spanou 2005: 121-122) and represented in collective consciousness as a social construct through which the workers can exchange their services and meet their collective needs (Vlasaki, 2012: 49). In its context of collectivity and social economy the 'welfare state' was largely based on a profound restructuring of the system of political representations (Chevallier, 1993, 160). Making use of the concept of "organic solidarity" (Durkheim, 1984) in the construction of the legal theory of "public service" (Chevallier, 1993: 160-162) the state legalized the dissemination of its services to the private sphere and its domination to the regulation of social relations. In symbolic terms, the post war state is depicting the society as a whole and ideologically presents itself as a single entity, placed above all (market, family, community, religion, other private actors) able to satisfy all the needs of citizens and serve the public interest (Vlasaki, 2012: 48).

The state collective action based on the social insurance system of the post war era acquits the affected by the risks of the wage labor from the state protection. This

means that if a person had a duty to carry out his/her work to society he/she has the right to ask society to give him/her its protection. The unemployment for instance is a socially accepted and recognized condition where the unemployed have the right to seek an allowance (unemployment allowance) and society perceives their request not as a burden to itself but as an obligation of to its members. In his sense the unemployment is unintended (Gravaris, 2003) and the unemployed is not responsible for his/her unemployment.

The collectivity which attempted to be establishing by the post-war state through the legal regulations of work are inherent elements of the conversion of the labor force in liberal market principles. Characteristic in this respect is the fact that a reciprocal relationship formed between the two sides of the economy on the basis of the contribution and collective responsibility, are inseparable from the logic of economic efficiency, according to which, a worker free and protected produces twice than a illiberal and unsafe worker (Floreal H. Forni, Ada Freytes Frey, Germán Quaranta, 1998) (Vlasaki, 2012: 51-52).

Under a vision of a "positive individualization" of workers passive employment policies (allowance benefits) perceive an active character. They contribute to the reproduction of the working class offering them a minimum living conditions as long as they are out of the production process, they maintain their purchasing power as income public assistance provided to them is reinvesting in the economy through their consumption. Consumption enhances the range of entrepreneurship in the logic of the coverage of the additional consumption of the population which contributes to new

jobs creation. Tackling unemployment is therefore part of this continuous movement of the economy which creates business conditions and labor demand. In the same logic, the unemployment benefits preserve the autonomy of the individuals in multiple ways such as the reinvestment of the unemployed into work, by enriching their skills and providing them with prospective job mobility in the labor market, which are fundamental factors of capitalist activity. From this perspective, the passive employment policies not only recommended as ineffective models of economic efficiency in the administrative function but instead contribute to this direction while proposing reliable solutions to unemployment (Vlasaki, 2012: 51-52).

The “Social Economy” of the post war era was an effort taken by the state to the direction of offering a minimum protection to those affected by the risks and damages of the wage labor and capitalism, such as unemployed workers. The social policy of the time was making around a set of passive and active employment policies based on the insurance protection system and labor inclusion in order however to achieve social cohesion and capitalistic growth.

1.3. The “Social Economy” in the “Active Welfare State”

Since the early 80s, a gradual liberalization of the postwar "welfare state" is taking place, under the scope of the right political thought, neo-liberal economics and globalization. The time is characterized by a constant and extensive process of individualization of the collective mechanisms of the state (state social insurance system) due to the state's regulations of deregulation of the labor market. The deregulation of the "welfare state" began in the late 70s and 80s with the resurgence

of liberal ideology which opposed to public service as a value in itself (Spanou, 2005:129), that the state cannot serve the public interest and defend the values of solidarity, equality and justice.

Under the neo-liberal context a new social policy is framing in the EU that is characterized as “active welfare state” (Vlasaki, 2012). The EU "active welfare state" (European Commission COM (2009) 58 final, European Parliament, 2000) organizes new forms of governance and political communities concerning mostly the state, the employers and the actors of the third sector as NGOs, volunteers and other associations and private actors. In this context, part of the state social services, such as social protection, active measures in the labor market, training and health services, transferring to the third sector's and private actors.

The state maintains headquarters and supportive role in social policy where many and different actors around the state are playing significant role in social integration. A new form of governance pursued which shows a somewhat managerial logic (managerial state) (Clarke & Newman, 1997) in which the state seeks to include and mobilize all the actors even the individuals to the direction of making the EU the most competitive economy in the World.

The EU “active welfare state” is mainly directed by the logic of employability which becomes the basic principle of social integration. In this sense, the social integration is becoming almost identical to work inclusion of unemployed which is not necessarily linked to social rights coming from their (paid) work (Vlasaki, 2012). Unemployed regarded all those who are not working (workless). They represent almost the entire

population at working age (15-64) and are belonging to the so called “vulnerable groups” such as, the long-term unemployed men & women, women mostly 45 years and over, Roma, immigrants and young people seeking their first job, and those who have dismissed and did not have to retire, older people due to the increase in the retirement age, elderly, disabled, addicted to substances, and other social groups.

The policy re-framing of the EU context is mainly legitimized by the re-definition of unemployment as structural and intended (Gravaris, 2003:340-341) in the sense that unemployment is primarily a problem of the labor supply and demand mismatch (structural unemployment) and the unemployment a matter of responsibility of the individual (intended unemployment). The structural approach assumed that there are available vacancies on the labor market but the unemployed are not able to fill them in. The mismatch attributed to the weaknesses and vulnerability of the unemployed associated with their lack of skills, adaptability and flexibility, with psychological factors and even with the unemployed reluctance to work.

A series of active methods and techniques has been adopted by the state and other actors playing the third sector in the way of promoting the unemployed in the labor market, known as active employment policies. These active tools are related to individualized intervention to unemployment, counseling, job placement, training, New Enterprises, new jobs creation and work experience programs (Vlasaki, 2012).

The «active welfare state» seeks to become a supportive mechanism which is offering services to the extent that the individuals are able to overcome their dependence to the state. In this context, as an unemployed is considered dependent on welfare, the active state provides all the skills, employability even psychological

support (counseling) to increase self-esteem and get his/her life in his/her hands. Such a procedure ensures individuals the treatment of their dependency on the state protection and what he considers the Bauman as a basic principle of ensuring the liberal rights: "freedom from need and fear of need, freedom from laziness and fear of sloth which compels unemployment» (Bauman, 2004, 137).

The “active welfare state’s” support mechanism is related to the way the state stabilize discontinuous temporary and uncertain career path of the unemployed covering a kind of "vulnerability". This “vulnerability” is connected to the population that is not able to follow the competitiveness of globalization and to be adaptable to the requirements of the flexible labor market. The active state intervenes individualized in the process of employment promotion in a way of strengthening the individualization of the unemployed in a competitive environment of globalized and liberal capitalism (Foucault in Sharma & Gupta (eds), 2006, Vlasaki, 2012:36). The supportive mechanism despite stabilizing the personal paths of work is being an educational mechanism showing to unemployed the way to individualization where each one has to learn how to be an autonomous individual. The goal is the moralization of the individual, the reminding of his duties, to show him/her that he/she holds his/her fate in his/her hands and must work. It is an intervention to persons’ mind for the establishment of the unemployed as a self-regulated person and as a subject who learns to recognize unemployment as his/her own case. This is not only an individualistic process but also a process of a further individualization more compatible to the norms of free market domination in neo-liberal capitalism over public policy.

This development shows that there is a tense for more and more unemployed out of social protection. A “negative individualization” is the consequence where the more and more unemployed left alone without financial assistance by the state. The problem is exacerbated because of rising unemployment and declining of social spending of the active state. In the context of cut public spending the active state intervenes to “those most needed” or the “most vulnerable” putting eligibility criteria for the beneficiaries. However, the distinction between «the most and less vulnerable» is abstract and may reduce the aid recipients of the state. Also, it may undermines the social rights of the middle and working class marginalizing and stigmatizing people receiving financial assistance from the state (Rogers et al, 1995, Karamesini in Petmezidou & Papatheodorou, 2004). The gap left by the non presence of the state in the social protection is doubtful - especially in the time of crisis - whether it can be effectively covered by the third sector. This happens because these bodies are strongly depended on temporarily EU and state funding. Under the circumstances of a continuous decline of the social state intervention, the individualization and a discontinuity of the social intervention of third sector bodies, the cohesion and prosperity of the EU societies are at seriously threat.

The “Social Economy” in the EU “active welfare state” consisted by a pluralistic frame of policy making with the participation of many actors and the state as executive body of the networking governance. The state has the task of directing the actors to contribute to the integration of the unemployed into work where the social inclusion of vulnerable groups is identical with their work inclusion not necessarily connected to social rights coming from their work. The work first is the logic of this

pluralistic system of policy making that are facing with a serious threat of social cohesion due to individualization process of protection system of the post war welfare state, the shrinking of social spending and the temporality of EU funding of third sector bodies.

2. The “Social Economy” in the Time of Crisis.

In the time of crisis (2008 -) "a new Social Economy seems to be emerging in the EU member states. It supports «solidarity economy» by promoting enterprises mainly cooperatives to the third sector of the «active welfare state». The “new Social Economy” intensifies in other the privatization of the “active welfare state” by activating the Social Enterprises into the third sector of social services provision. The social enterprises have commercial activity in social services provision and development. They are cooperatives and associations combined also by social groups (disabled for instance) which sale social services, not necessarily in low cost. The state contracting out social services to social enterprises and subsidizes only the most vulnerable groups according to income and personal eligibility criteria.

This shift in EU policy agenda becomes clear in 2011 (Monzon & Chaves, 2012:99) however gradually consolidated and expended in the national policies through the EU strategy "Europe 2020", for smart, sustainable and inclusive growth 2014-2020. Under the scope of the EU policy the Social Economy was formally established in Greece in 2011 by the Law N. 4019/2011. The Social Cooperative Enterprises defined by this Law as the main actor of the Social Economy in Greece.

The “Social Economy” and Social Cooperative Enterprises in the EU and in Greece are placed within the policy context of the «active welfare state» specifically in the third sector of the economy (Explanation Memorandum of the Greek Law 4019/2011 for Social Economy and Social Enterprises). The policy seeks to strengthen the local economy and create new jobs in an era of economic rescission and very high unemployment rates in Greece (24% & 48,9% youth unemployment, Eurostat)¹. It also seeks to socially integrate vulnerable groups of the population “mainly through the integration and promotion of employment” (Law 4019/2011, article 1). The legitimized policy discourse for the necessity of this measure to be taken by the Greek Public Administration is based on the sustainability and resilience that these Enterprises in EU are displaying against the economic crisis. In the same line, cooperatives are also presented by this discourse as good practices throughout Europe for new jobs creation, for solidarity, and the National Domestic Product growth (Explanatory Memorandum of the Law 4019/2011). In the realm of the EU policy, this kind of enterprises seems to be more resilient to economic crisis mostly because they are not depended by the public funding as other actors of the Social Economy as NGO’s are.

The Social Cooperatives are commercially and socially active which gives greater perspective and freedom in privatization and shrinking the “welfare state”. The state in this case does not necessarily support the third sector bodies through grants and funding for the implementation of their mission. In the time of crisis and the state

¹ These percentages are based on data of December 2015. Greece displays the highest rates of unemployment in the EU28.

budgetary constraints, this independence seems a good and relieving solution for social public administration sustainability although in fact legitimizes and consolidates the liberal “active welfare state” in the EU.

2.1 The Social Cooperative Enterprises in Greece. The General Profile.

The Social Cooperative Enterprise (Koin.S.Ep.) is a civil law cooperative with social mission and commercial activity (Law 4019/2011). It is equally managed by its members. Its operation is based on the pursuit of collective benefit, whereas profit is the result of actions that serve the public interest exclusively. Specifically, the characteristics of the Koin.S.Ep. are the following:

- A. At least five members or seven members needed for Koin.S.Ep establishment.
- B. Its members are belonging to “vulnerable” social groups (“groups whose participation in social and economic life is difficult either because of social and economic problems, either due to semantic or psychological or mental disability or unforeseeable events which affect the proper functioning of the local and regional economy” (Law 4019/2011, article 1).
- C. Members of Koin.S.Ep. can be either natural persons, either natural or legal persons
- D. The participation of legal entities may not exceed the rate of 1/3 of their members
- E. There are three categories of Koin.S.Ep.:**

i. Koin.S.Ep. of Integration

Their aim is the integration in the economic and social life of persons belonging to “vulnerable” groups such as: disabled, addicted to substances, ex-

prisoners, seropositive, juvenile offenders. A minimum 40% of workers should belong to the mentioned population groups, on a permanent basis. Their establishing required at least seven persons.

ii. Koin.S.Ep. of Social Care

Their aim it to produce and provide social - welfare character products and services to specific population groups such as elderly, infants, children, disabled and people with chronic diseases. Their establishment required at least five persons.

iii. Koin.S.Ep. of collective and productive purpose

Their aim is the promotion of local and collective interest, employment, strengthening social cohesion and local or regional development. Involving the production of goods and services in areas such as culture, environment, education, utility benefits, local products, maintain of traditional activities and professions. Their establishing required at least five persons.

- F. The Koin.S.Ep. should be registered to the Record of Social Economy of the Ministry of Labor
- G. Model of statute of the Koin.S.Ep. is available through the website of the Ministry of Labor
- H. Local Authorities Organizations (OTA) and their public entities cannot be members of the Koin.S.Ep., except in cases of the “Koin.S.Ep. of inclusion” that they can participate under the condition of prior approval by their organizations
- I. Each member must have at least one mandatory cooperative share and up to five optional cooperative shares

- J. All members are entitled to one vote (one member one vote)
- K. 5% of the profit per year of the Koin.S.Ep, should be available for reserve formation
- L. Up to 35% of the profit distributed among the employees of the enterprise as motivation of productivity
- M. The remaining (at least 60%) of the profit is available for the activities of the Koin.S.Ep. and new jobs creation.
- N. According to the Law 4019/2011, article 7 & 10, the Koin.S.Ep. are not subjected to income tax on reserve formation and on its activities and the new jobs creation however this regulation is not implemented. It was canceled by the Law 4110/2013 “Income tax adjustments”, article 2.
- O. The Koin.S.Ep. subjected to income tax 10% for its activities about the new jobs creation
- P. The Koin.S.Ep. can be part of networks and partnerships within a specific legal entity
- Q. Employees of Koin.S.Ep. who belong to vulnerable population groups and receive welfare benefits or any other benefit, continue to receive such benefits together with their salary.
- R. The Koin.S.Ep. have access to the Social Economy Fund (which is still pending)
- S. The Koin.S.Ep. may be integrated into entrepreneurship support programs, OAED programs and active employment policies.

T. The Koin.S.Ep. may conclude programmatic contracts with the State, the public sector and local authorities first and second degree (municipalities and regions).

U. The Koin.S.Ep. may be included at the beginning of the operation in co-funded European projects implemented by the Secretary General Management of European Funds, OAED and other competent bodies.

2.1.1. Social Cooperative Enterprises' Cases in Greece

Cases that depict the general profile of the Koin.S.Ep. in Greece are related to: the nurseries and kindergartens, tutorial, counseling, cafes, traditional dishes and pastries, cultural activities, mechanical and plumbing, daily care of the elderly, children, people with disabilities and special groups and home care, cultivation and sale of local products, cultural education, theater, development of enterprises, social care, preparation and parenthood (pregnancy), hand loom products, educational-tourism, gastronomy, rescuing monuments. Structures of Reception & Accommodations for unemployed, homeless, refugees, battered women, people, minors, mentally ill. Structures for: a) Environment and ecology b) Green growth c) Recycling d) Clean & repairs e) Cultures & green maintenance, social press (design and production of any kind of form (newspapers, magazines, prospectus, etc.), creation and promotion of websites, special internet applications and social media, counseling and organizing professional communication).

There are also self managed factories as the case of the BIOME (Labor Union in Industrial Mining) where the workers have taken the management of the factory in their own hands producing natural cleaners. They also promote their products through

e-commerce. The BIOME became a social enterprise after the bankrupt of the factory. The transition of bankrupt enterprises into social cooperatives where the workers are the owners of the enterprise seems to be a strategic choice of the Greek policy to restrain unemployment.

The general characteristics & profile of the Koin.S.Ep indicate that a new process of labor & production relations has begun in the time of crisis which introduces a societal transformation based on entrepreneurship of unemployed. The self-managed factories, the fact that the owners of the social enterprises are at the same time the wage laborers, the fact that the social enterprises produce and sell all sectors' products and services (education, care, environment, culture) introduces us a different paradigm of social and economic organization. Even in case of trade unionism there is a small scale paradigm instead of the large trade unions that could be enough to renew syndicalism?.

2.1.2. The Experience of a Social Entrepreneur in Greece

The Experience of a social entrepreneur in Greece shows the absence of the Greek public administration from preparing, supporting and guidance of unemployed to the “Social Economy”. According to the Social Entrepreneur:

“It is really interesting to collaborate with other people at work. This indeed is one form of solidarity that one counts on another. But the problems are quite a lot concerning our sustainability which consists of a series of contradictions that are related to the fact there is not tax incentives for social enterprises. We are treated as

any other enterprise. We do not have the knowledge on how to set up and how to build and keep the sustainability of an enterprise or how to found a funding. There is no cooperation with the public and especially there is no way to access public funding and overcoming local lobby. While we must operate as a common enterprise to be competitive in the market, we do not have the right to make a profit. But we cannot survive this way and we do not have any motive to be social entrepreneurs”.

2.2. The Institutional Framework of “Social Economy” and “Social Enterprises” Policy in Greece

By the year 2011, when the Law 4019 adopted by the Greek government, there was not a concrete and coherent institutional framework for the “Social Economy” and the “Social Entrepreneurship” Policy in Greece despite the fact that these terms as policy measures are not a new in the Greek Public Administration under the EU influence.

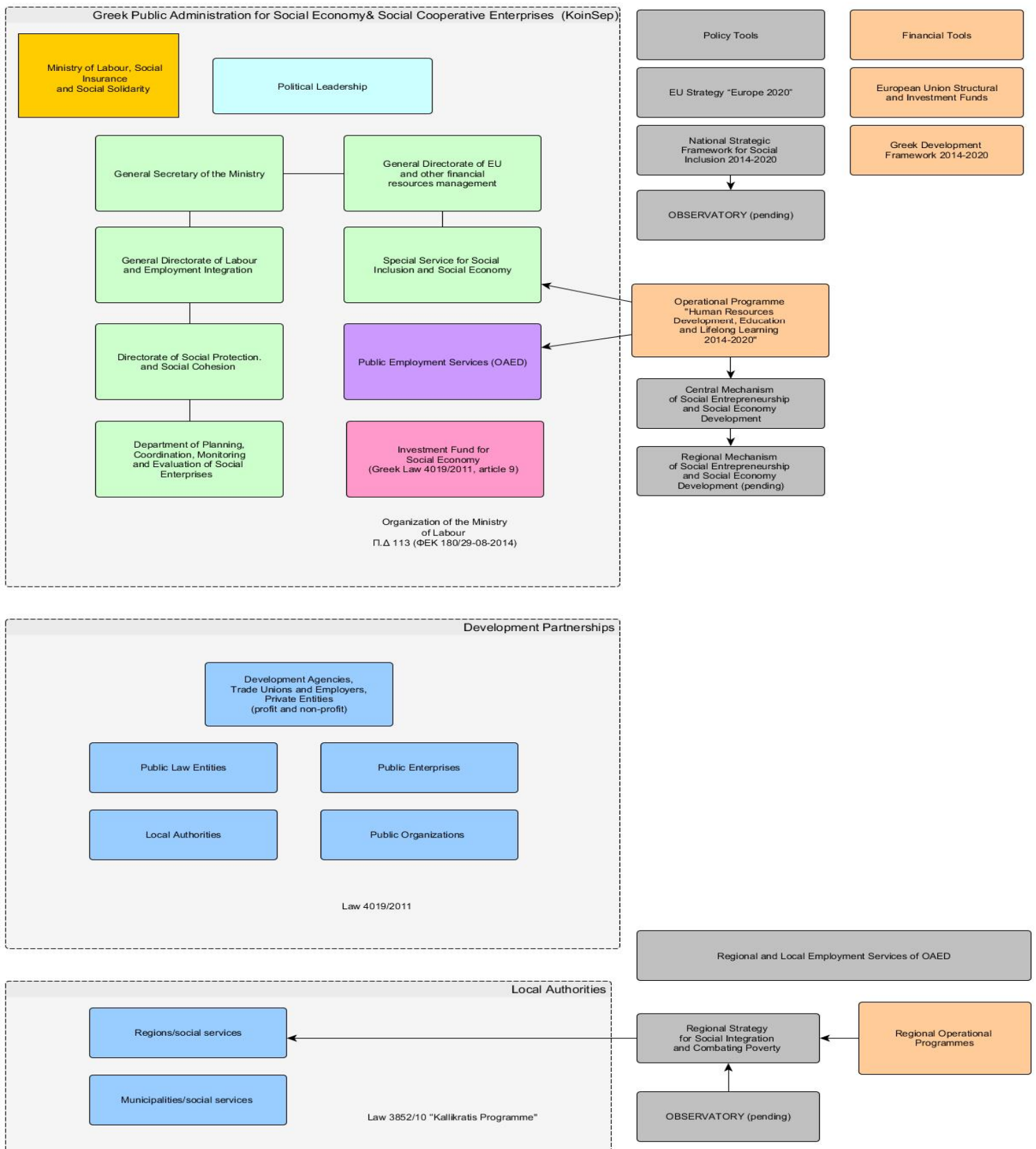
The Social Cooperatives were introduced in the Greek state, under the EU policy, (through the Community Initiative “EQUAL” (2001-2013) of the Ministry of Labor co-funded by the European Social Fund (ESF). Also through the Community Initiative “LEADER” (Liaisons Entre Actions de Développement de l’ Economie Rurale – links between actions for the development of the economy of rural areas) of the Ministry of Agriculture Development co-funded by the European Agricultural Fund for Rural Development (EAFRD) (1991 -). The Greek Manpower Employment Organization (OAED) also promotes cooperative enterprises through the Employment Programs of Enterprises co-funded also by the EU (1998 -). It was the period of Europeanization of the Greek Public Administration (Featherstone & Papadimitriou,

2008, Featherstone & Radaelli, (eds), 2003, Sotiropoulos, 2004) All these programs were running under the general scope of the active employment policies (Gravaris, 2003, Vlasaki, 2012) namely the promotion of employment inclusion and employability based on the active labor market policies.

The cooperatives of that time were related mostly to the women's cooperative enterprises in agriculture. Regarding the cooperatives developed in the context of the Community Initiative "EQUAL" they were unsustainable after the end of their finance (Adam, 2012:114). Their activities were developed mainly in agriculture, agro-artisanship, cottage production (mainly food, textiles, ceramics) and agrotourism (hostels, bars) (Adam, 2012:85). "Most women's cooperatives have chosen the legal form of the agricultural cooperative and some others the legal form of civil cooperative" (Koutsou et al, 2003, in Adam, 2012: 85).

In this context, there is no specific and uniform institutional framework for social cooperatives' policy. An overall an integrated policy is still in ambiguity because the legal and institutional framework of Koin.S.Ep. is under revision by the government in the context of the EU strategy, the national Agreement Programme of Greece for 2012 and the National and Regional Strategies for Social Inclusion & Combating Poverty. However, the current situation of the organizational model of the Social Cooperatives Policy in Greece is depicted in the figure below.

The Current Public Administrative Model for Social Enterprises in Greece



2.2.1. The Ministry of Labor, Social Insurance and Social Solidarity

The Ministry of Labor, Social Insurance and Social Solidarity is responsible for the “Social Economy” and “Social Enterprises” policy making in Greece, specifically for policy planning, coordination, monitoring and evaluation. The general directions of the policy planning are reflected in the National Strategic Framework for Social Inclusion 2014-2020. The policy is placed in the context of the achievement of the goals of the National Strategic Framework for Social Inclusion 2014-2020 (Hellenic Ministry of Labor) and the National Strategy and Action Plan on Social Economy of the Special Service for Social Integration and the Social Economy of the Ministry of Labor.

The competences of the Ministry of Labor, Social Insurance and Social Solidarity that are related to the Koin.S.Ep. include:

- i. The promotion of social reference contracts of the Koin.S.Ep.
- ii. The monitoring of their (Koin.S.Ep.) institutional framework
- iii. The development of the necessary tools for their operation
- iv. Their visibility and networking with other European institutions
- v. Their introduction of Social Economy and entrepreneurship at all levels of education
- vi. Their participation in European and international institutions
- vii. The Social Economy Registry operation
- viii. The monitoring of Social Economy to the conditions of the law 4019/2011
- ix. The information provision to citizens on their establishment and operation

Under the general scope of social integration policy, the Ministry incorporates the creation of Observatories that are going to operate at central and regional level. The Observatories will provide the state with significant information for “social economy” and its impact to the social integration policy implementation. The regional Observatories will contribute to policy making by giving to the state a feedback on local policy implementation and a perspective for further redesigns and improvements. In this perspective, the observatories could be a good opportunity for the policy making in Greece to elaborate real data and knowledge in order to be able to redesign its actions on a basis more oriented to the real needs of unemployed. The central and regional Observatories however have not yet started to operate.

2.2.2. The Role of the Regional Administrations

The Regions have a crucial role to play in the Greek policy for “Social Economy & Enterprises”. They will support social entrepreneurship through the Regional Operation Programs 2014-2020. The Regions have adopted the Regional Strategies for Combating Poverty and Social Exclusion as a pre-condition of the EU funding to the Greek Development Agreement for 2014-2020.

In the case of the Region of Crete, the Regional Strategy of Social Inclusion and Combating Poverty provides the establishment of coordinating and advisory bodies in decision making of the Regional Administration in order the Region of Crete to be able to effectively finance and monitor all the actions of the strategy taken by all the stakeholders in Crete. These administrative bodies are the “Social Inclusion

Committee” and “the Social Inclusion Working Group”. A monitoring process has also planned which will be supported by an Integrated Information System and the Regional Observatory (<http://www.pepkritis.gr>). This process will be a significant and strategic tool for policy making of the Greek state both for Social Enterprises and social integration. The actions mentioned in the case of the Region of Crete are in the initial phase of the process of implementation.

2.2.3. The Central and Regional Mechanism for “Social Economy” and “Social Enterprises”

The Central and Regional Mechanisms of Social Economy and Enterprises is a useful tool for the state in order to prepare the unemployed in social entrepreneurship’s knowledge, methods and techniques, in the whole country. This mechanism could be very useful not only for unemployed but also for the local authorities, regions and municipalities that have to be educated on how to prepare unemployed to open and operate a social enterprise. The everyday experience of local authorities shows that while unemployed are interested in creating social cooperative enterprises the local authorities do not have the knowledge to show them the way and to support them in this effort. The mechanisms co-funded by the Operational Programme "Human Resources Development, Education and Lifelong Learning 2014-2020" and supported by the Special Service of Social Integration and Social Economy of the Ministry of Labor, Social Insurance & Social Solidarity. The mission of these mechanisms described below:

2.2.3.i. Central Mechanism

Key actions of the Central Support Mechanism of the Koin.S.Ep are:

- a. The scientific and advisory support to regional mechanisms
- b. The human resources training
- c. The scientific and advisory support of the Special Service of Social Economy of the Ministry of Labor for the development and promotion of the Koin.S.Ep. and the Social Economy
- d. The transnational cooperation

2.2.3.ii. Regional Mechanisms

The Regional Mechanisms will cover the whole country. One in each region will provide one-stop services (one stop shop) for social entrepreneurs and social enterprises providing services for:

- a. Information about the characteristics and purposes of Social Entrepreneurship
- b. Support and counseling for the creation of Social Cooperatives

In addition, the Regional Mechanisms will seek to:

1. Enhance the business of Social Enterprises, through the promotion of local cooperation agreements (local pacts) between social enterprises and public bodies or private enterprises
2. Network the Koin.S.Ep. locally and creating clusters (clusters) of social enterprises
3. Support transnational cooperation with social entrepreneurship entities abroad
4. Support young social entrepreneurs regarding their participation in ERASMUS-type programs

Main implementation bodies of the regional social entrepreneurship mechanism are the Development Partnership Agreements (Law 4019/2011).

2.2.4. The Development Partnership Agreements

The mission of the Development Partnership Agreements is the implementation of the actions provided by the Operational Programme "Human Resources Development Education and Lifelong Learning 2014-2020", of the Ministry of Labor, Social Insurance and Social Solidarity (Law 4019/2011). One of these actions is related to the implementation of the Regional Mechanisms of Social Economy. The Partnerships include public entities, Local Authorities (OTA A' and B' grade/Municipalities and Regions), public organizations and public enterprises, development agencies, private entities (profit or non-profit) trade unions and unions of employers. The Partnerships coordinated only by the Development Agencies, the Private Entities, the Trade Unions and the Unions of the employees.

The regional mechanisms have not yet been assigned to the Development Partnerships thus; the supportive mechanism of the Social Enterprises Policy in Greece is still remaining inactive.

2.2.5. The Public Social Reference Contracts

The Public Social Reference Contracts (Law 4019/2011, article 16) related to those contracts that the public authorities in procurement phase take into account important social aspects as award criteria, such as: a. employment opportunities b. social

integration of vulnerable groups c. equal opportunities d. accessibility for all e. sustainability and ethical trade g. social responsibility of enterprises.

The criteria have not yet been incorporated into the legal framework of the public procurement processes. The Independent Public Procurement Authority of Greece has put in consultation a draft of the new Law "award and execution of works contracts, consultancy, supply, goods and services", where social characteristics of the public contracting out are specialized mainly in:

- a) Employees belonging to vulnerable groups of the population as the paragraph 4 of Article 1 of Law 4019/2011 (A 216) defines for a period of at least twelve (12) months before the participation of the economic operators in the procurement procedure of a public contract
- b) Facilitating the social and/or employment inclusion of persons from vulnerable groups,
- c) Anti-discrimination and/or
- d) Promoting equality between men and women

The incorporation of social criteria in the procurement process is significant in the sense that Koin.S.Ep. could be advantaged in the competition process of the public contracting out and funding. However, the new Law of public procurement is still pending due to the fact that it has to be approved by the Greek Parliament. The current situation is that these social criteria are not part of the competence of the public services and most importantly they have not become part of the public services' culture. The social services also express a slight resistance to social

enterprises. They face them as a threat to their existence due to the forthcoming enlargement of privatization of the social public administration. Under these circumstances there are not indications at the moment that they can prove any kind of cooperation or relationship that could develop between the public services and the social enterprises in Greece.

2.2.6. The Public Employment Services (PES) in Greece: The Greek Manpower Employment Organization (OAED)

The Public Employment Services (PES) in Greece is represented by the Manpower Employment Organization (OAED). OAED is supervised by the Ministry of Labor, Social Insurance and Social Solidarity and is directed by its Governor and Administrative Board. The Public Employment Services (PES) implements passive and active labor market policies. The active employment policies include personalized intervention in unemployment, counseling, job placement, training, New Enterprises and new jobs creation, work experience (STAGE)². The employment services of OAED are extended across the country. OAED provides also services to special social groups of unemployed that are faced with the risk of social exclusion. These groups are:

- People with disabilities
- Ex-convicts
- Ex-drug addicts
- Young and other people at social risk
- Other “vulnerable groups”

² More information about the active employment policy and the role of the Greek Public Employment Services (PES) of OAED in the labor market and social administration and policy, see Vlasaki, 2012.

The Social Cooperatives could benefit by the active labor market policies of OAED. One of the main dysfunctions OAED currently faces in its efforts to develop the ability of the unemployed to become entrepreneurs is that the unemployed usually do not have the capital (even low) to invest in start-ups. The subsidies of the New Enterprises program are eligible only for pre-paid expenditures of the start-ups. This is the main reason for unemployed poor to not invest in their entrepreneurship. They usually do not invest also in innovative ideas that could have a sustainability prospect in the labor market. They often choose to open cafes and hairdressers (OAED, 2015).

3. Conclusions

The “Social Economy” in the time of crisis refers to the public administration has been developed in Europe since the late '70s, influenced by the right political thought, neo-liberal economics and globalization. A constant and extensive process of individualization of the collective mechanism (the social insurance system for instance) of the “welfare state” has been launched in the EU since then leading to the construction of the “active welfare state”.

A pluralistic model of governance is drawing around the “active welfare state” with the participation of private and third sector actors (NGO's, volunteers, associations, etc) in the network. The state relations with “significant others” of policy in the EU has been transformed into a managerial network of policy making. This policy making is being in the process to manage societal issues coming up from the liberal globalized capitalism, such as poverty and social exclusion.

Employability and work inclusion of unemployed is becoming the only means to the state networking management where the social policy in the EU prospect could be regarded as almost identical to the policy of employment. Unemployed are considered all those who are workless namely all those at working age (15-64) seeking for a paid work, such as: women, Roma, immigrants, young people, elderly, disabled, addicted to substances, mentally ill, and other social groups. To the direction of work inclusion, a series of active methods and techniques (training, job search, entrepreneurship, job experience, counseling, etc) are offered by the state to the adaptability of unemployed in the competitive and flexible needs of the labor market.

Unemployed are educated by the state in this process in order to be able to take their situation in their own hands and be not dependent on the public assistance. State assistance is offered only to those most needed or to the so called “most vulnerable” with a large part of the population however to be remaining without protection leading to the challenging of social cohesion and prosperity.

In the time of crisis, the “new Social Economy” intensifies the liberalization of the “welfare state” by activating the Social Cooperative Enterprises into the third sector of social policy network. Under the scope of the European Strategy “Europe 2020” the Social Cooperative Enterprises are regarded by the EU as significant actors of social policy. The “Social Cooperative Enterprises” as the main representative of the “Social Economy” in Greece formally inserted into the Greek Social Administration by the Law 4019/2011. Although both “The Social Economy” and “The Social Cooperative Enterprises” are not new in the Greek Public Administration experience under the EU influence from the early 90’s, are getting now a more strategic role in social policy in Greece under the “Europe 2020”.

The Greek policy objective is fighting unemployment for combating poverty and social exclusion. The promotion of poor unemployed in the labor market as independent & successful entrepreneurs is also its policy mission. Unemployed in this prospect invited by the public administration to be able to build a series of technical skills and active employment measures, such as to plan their commercial sustainability enterprises in the labour market, to find and manage specific financial tools offered by the Greek state and the EU.

Several institutional interventions have been adopted by the Greek public administration to achieve the policy goal and the mission of promoting unemployed in the labour market as social entrepreneurs. These interventions are mainly based on policy and financial tools offered by the Greek Partnership Agreement 2014-2020 (New ESPA) co-funded by the EU structural and investment funds, referring to: the national and regional strategies for social inclusion and combating poverty, the Observatories as monitoring and evaluation systems of policy at national and regional level, the central and regional mechanisms for entrepreneurship's education of unemployed, a set of state rules of coordination, monitoring, and evaluation as well as a set of social contracting out principles of public services. The current policy system could potentially lead to a more integrated and effective "Social Economy & Enterprises" policy in Greece for the benefit of unemployed.

Despite the policy prospects, several policy constraints are also observed indicating that the Social Entrepreneurs in Greece are staying without public support by the Public Administration which seriously threatens their survival within an inactive economic environment and a limited and competitive access to public funding. Specifically:

- a. There is a blurred institutional environment that is not fully implemented yet: the Law for the Social Economy and Social Cooperative Enterprises is under revision, the central and regional mechanisms, the Social Enterprises Fund, the regional strategies, the Observatories, the Public Social Reference Contracts are still pending.

- b. The policy for social enterprises is fully depended on EU funding which does not ensure its long sustainability.
- c. There are different actors with the same mission such as the Public Employment Services (OAED) and the Development Partnership Agreements that may lead to dysfunctions in policy coordination and effect.
- d. The role of public bodies in the Development Partnership Agreements should be strengthened by the Law, like the role of the Public Employment Services and the Regions for instance.
- e. The Local Authorities do not have the knowledge to support social enterprises. They resist to the social enterprises' development treated them as a threat to their own existence in the social services provision.
- f. The public administration has not yet adopted the social reference contracts thus, social criteria in the public procurement process have not become yet part of the public services competences and most importantly they do not become part of the public services culture.
- g. There are not tax incentives for social enterprises.

Regarding the general profile of social cooperatives, a new process of labor & production relations seems to derive during the crisis that may introduces a societal transformation based on cooperatives of unemployed. The self-managed factories, the fact that the wage laborers are the owners as well of the bankrupted factories or enterprises, the production & marketing of all products and services (education, care, environment, culture) by social cooperatives represent a small scale paradigm of social and economic re-organization starting by unemployed from the local.

However it is quite assure that this process is leading towards a policy that attempts to transcend the new-liberalism capitalism and the consequences of unemployment (poverty & exclusion). The indications of the so-called “active welfare state” in the EU, where the “Social Economy” is incorporated into its institutional environment, are not positive as led to the expansion of unemployment and poverty. It has also been constructed a temporary and flexible labor market and an institutional environment that reduces public expenditures & social rights, fragments syndicalism, leaving unemployed and wage employees increasingly powerless to claim their social protection. It also individualizes unemployed promoting them as free movers in the competitiveness of the labor market leading to what a Social Entrepreneur in Greece claims: *“while we are treated by the Law as common businesses in the free market competition without state support we are obliged not to seek for a profit. But we cannot survive this way and we do not have any motive to be social entrepreneurs”*.

Under these circumstances, the “Social Economy” in the time of crisis may opens a window to a wider commoditization of the labor and the social services provision. It may also leads to a further shrinking of social protection of unemployed leaving the social cohesion and prosperity in ambiguity.

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1st ICCONSS: “Crisis and the Social Sciences: New Challenges and Perspectives”

Rethymno, June 10-12, 2016

“An interdisciplinary Political Economy Approach for a transformative social Mobilization”

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Abstract

Based on an interdisciplinary Political Economy approach, on the accumulated knowledge, and the evidence available, this paper intends to challenge (a) the dominant, narrow-minded and restrictive theoretical approach associated with mainstream economics and economism more broadly, (b) the dominant capitalist mode of production (CMP) due to its destructive socio-ecological implications, (c) the nation-state and supra-national state apparatuses such as the E.U. as bourgeois mechanisms of social authority and exploitation, and (d) the existing institutions and organizational forms concerning the social and class struggle mainly of the working class. Challenging the dominant CMP, we will focus on its implications in certain crucial areas, including the economic and social inequality and lack of democracy, the uneven development and socio-spatial polarization, the exploitation and appropriation of human and non-human natures, the inherent competition and cost shifting, the exclusion of the right to work and hence the inadequate satisfaction of basic social needs, the destructive socio-ecological implications of the growth imperative of capitalism, and the inherent contradictions between its parts and the whole. Regarding the struggle and the transformative social mobilization to supersede capitalism, we will focus on the current dilemma between partial or interstitial initiatives and a more total confrontation and fundamental transformation of capitalism. Finally, pointing to some of the inherent weaknesses or incapacities of the existing socio-political agencies, we will risk some thoughts towards a novel organizational form for a new social initiative from below.

Keywords: political economy, capitalism, social movement, transformation, labour union, party

1. Introduction

Although economic research, within the context of mainstream economics dominated by a neoclassical approach, has in the last hundred and fifty years produced some useful knowledge in certain respects, it has at the same time side-lined a more relevant political economy approach. Moreover, the utterly abstract character of this type of theory and the ideological bias of the relevant research have largely depoliticized and decontextualized economic and social research, rendering it rather irrelevant in coping with real social problems. This incapacity to cope with the most pressing social problems, a pointless mathematization of economic modelling, and an academic sterility of the greatest part of relevant research have led to a growing delegitimation of the field, rendering it a rather apologetic discourse serving the ideological domination of capitalism. For all these reasons, there have been occasional protests against mathematization and academic sterility, against the methodological monism of neoclassical economics, or against ‘economism’ more generally, which has expanded more or less to all fields of social science (see Norgaard 2015).

Mainstream economics is completely abstracting from the prevalent capitalist mode of production (CMP), considering it as a natural and eternal condition, while contributing to a broad acceptance of economic growth as a panacea for tackling all social problems, despite its deep and destructive socio-ecological implications. This ideological domination of capitalism and the prevalence of bourgeois economics have resulted to a condition that most people would easier accept the likelihood of a world catastrophe than the collapse and supersession of capitalism. Mainstream economics and social science more generally have also fetishized and naturalized state institutions, leading thus to their de-politicization and missing the crucial dialectic between the state and the development of capitalism itself. It is also important to stress that mainstream economics, but also several approaches of political economy, remain attached to a Cartesian divide between society (or economy) and nature. Thus, they remain blind to the dialectic of capital within nature, failing to understand the most important aspects of the currently evolving economic recession and socio-ecological crisis, the coevolution of capital and nature, and the historical limits of capitalism (see Liodakis 2013, Moore 2015).

To overcome the incapacity or irrelevance of scientific research, we have to challenge academic formalism and the ideological indoctrination of the mainstream by tackling the most important contemporary problems, without obscuring their class dimensions or their political implications. Following a dialectical materialist methodology and an interdisciplinary Marxist approach focusing mainly in political economy, we will undertake this task in the following section, where we examine the main implications from the development and dominance of the CMP. Subsequently we briefly analyse and challenge the broadly accepted view regarding the neutral character of state institutions. To face the currently exacerbated socio-ecological crisis, we need to challenge both the dominant CMP and the existing state institutions on a national and supranational level. The strategy to do that is examined in the fourth

section, while the final section briefly explores the organizational forms of the struggle aiming at a social mobilization towards a transformation beyond capitalism.

2. The character and implications of the CMP

In this section we will point out the main implications from the development and domination of the CMP in order to demonstrate its historical demise and the need for its supersession. As is well known, capitalism is based on the exploitation of labour within the process of commodity production aiming at a maximum accumulation of profit.

The underlying property relations, the class structure, and the exploitative character of capitalism imply a growing economic and social inequality. Today, there is ample evidence showing an extensive and increasing inequality within any particular country, but also between countries. These growing inequalities are further amplified with the rapid globalization of recent decades and the prevalence of neoliberal policies. Along with the competitive concentration of capital, these inequalities also imply a growing concentration of social and political power, which is partly exercised and further extended through state institutions on a national and transnational level. The growing concentration of power and related authoritarian practices imply, in turn, the demise of parliamentary institutions, the rapid shrinkage of democratic control, and an increasing salience of authoritarian or totalitarian practices (Liodakis 2010). The current negotiations for a Transatlantic Trade and Investment Partnership (TTIP), the growing democratic deficiency within the E.U., and the role of troika in Greece constitute just a few, even if dramatic, expressions of this tendency.

The uneven development of capitalism and its geographical and social polarization constitute another important characteristic. This uneven development and polarization, which again is further intensified with globalization and neoliberal policies, is essentially determined by the internal dynamics of capitalist accumulation. It is free trade itself which mainly leads to uneven development, within and between countries, while the transnational transfers of value associated with the global operation of the law of value and the prevalence of monopolistic relations tend to amplify this unevenness of capitalism even further (see Shaikh 1979-80). Besides this uneven development, global capitalism has also a combined character as it tends to integrate various countries at different stages of development and appropriate extensive resources from various non-capitalist spheres of production.

The increasing exploitation of wage labour within the sphere of commodity production, along with an increasing appropriation of un-commodified labour and un-capitalized nature (see Moore 2015), tend to undermine the fundamental sources of production of all social wealth, namely labour and nature (Marx 1967 I: 506-507, 645), and thus limit the potential of social welfare. At the same time, these processes tend to destroy the conditions of ecological sustainability. There are several reasons therefore, indicating that, contrary to a widely accepted promise of an increasing abundance, capitalism in fact leads to a growing scarcity (Liodakis forthcoming).

The competitive and individualistic character of capitalism implies further, particularly in periods of intensive crisis, an extensive cost-shifting, that is, extensive negative externalities, which tend to increase the average social cost of production while undermining also the conditions of ecological sustainability. All attempts to tinker with these failures of the market system have so far failed, and all state policies aiming at an ecological re-regulation cannot promise anything better.

Ecological degradation and the exacerbated socio-ecological crisis may be largely attributed to the rapid growth of capitalist production necessitated again by the imperative of competition (Liodakis 2013). While some researchers suggest that a de-growth of capitalist production or a steady-state economy would be a condition for facing ecological crisis (see Daly 1996, Kallis et al. 2012), they fail to recognize that economic growth is an inherent necessity characterizing the CMP (see Smith 2010) and that capitalist production, at whatever level, associated with the utilization of the relevant capitalist technology, will generally imply a degradation of social and ecological conditions.

The competitive pressure induces capital to mechanize and automate production in order to reduce cost and increase profitability. This tendency may be rational and makes sense from the standpoint of any individual capital. When generalized, however, by displacing living labour as the single source of surplus value and profit, it leads to over accumulation of capital and a falling average profitability. Apart from their cyclical recurrence, such accumulation crises, if not completely resolved, may have a cumulative impact and intimately intertwined with ecological crisis may lead to an exacerbated socio-ecological crisis, as the one we are currently facing on a global level. Such crises may have a structural or developmental character, but may also lead to a systemic or epochal crisis threatening the very foundations of the CMP (see Robinson 2014, Moore 2015).

The contradictory character of capitalism noted above, between individual firms and capital as a whole, may be also manifested more generally, as in the case of the so-called Jevon's Paradox, where, even a resource efficient technological/organizational innovation, when generalized under capitalist conditions, may very likely lead to a depletion of the relevant resource and to environmental degradation.

Capitalism, by its very nature, does not guaranty the right to work (social inclusion), but is rather based on an extensive unemployment of labour (reserve army) and continually renders a considerable part of social labour superfluous. Economic growth may temporarily or spatially displace this problem, but the overall increase of unemployment, particularly in periods of exacerbated accumulation or socio-ecological crisis, as with the recently aggravated crisis, implies an increasing poverty and social misery. At the same time, the inherently expansive character of capitalism implies imperialist interventions and wars, social destabilization in many areas, ecological exploitation and degradation, and increasing currents of desperate refugees. War and social oppression, along with ecological degradation and economic crisis, further fuel religious and extreme-right obscurantist ideologies to make the world a nightmare and the worst place we could ever imagine.

The implications from the development and crisis of capitalism outlined above are not, by any means, independent. They are rather closely intertwined and derive from the essence itself and the very core of the CMP. All these implications and the social maladies briefly mentioned above are manifested with particular intensity in the currently emergent new stage of transnational or totalitarian capitalism (see Robinson 2004, Liodakis 2010) and make it imperative to struggle towards superseding capitalism. No socio-ecological reform, de-growth policy, even if implemented, or radical redistribution of income and wealth could possibly ensure the overcoming of the currently unfolding crisis and a sustainable development of capitalism in so far as the CMP remains dominant (cf. Robinson 2014). This is partly because distribution is always closely patterned according to the prevailing relations of production (Marx 1967 III: 878, 883-84). It is for these reasons that a great number of struggles and social movements around the world are directed beyond capitalism and towards a better society.

3. The Capital – State relation and its implications

Mainstream theories, failing to conceive the capital – state dialectic, consider the state simply as a regulative and balancing mechanism aiming to ensure social cohesion. As such, the state is assumed to be socially neutral, serving social welfare in general. On the contrary, Marxist theories correctly focus on the dialectic and the mutual determination of capital and the state, considering that the state has an essentially class character serving primarily the interests of the ruling capitalist class, the reproduction of the dominant relations of production, and the valorisation/profitability of capital. In this sense, the state is not socially neutral, but rather an oppressive and exploitative mechanism functioning in the interest of the ruling class. It is for this reason that Marx stressed the need that proletarian revolutions should not seek to merely reform states or seize state power, but rather dismantle and radically transform the bourgeois state apparatus, replacing it with alternative institutions of democratic control and social coordination (Marx 1968).

While most state theorizing has so far focused on nation-states, in the current stage of transnational or totalitarian capitalism, the conditions concerning the accumulation of capital and political circumstances have substantially changed, on both the national and the global level. A distinctive characteristic of the emergent new stage of capitalism concerns the transnational expansion of the production process itself and the transnational integration of both the productive and financial capital. This tendency, in turn, gives rise to a second crucial characteristic regarding the rise of a transnational capitalist class (TCC) and a transnational formation of social classes in general. Processes of class exploitation and the concomitant class contradictions increasingly expand beyond any particular nation-state. These developments give rise to a transnational state (TNS) constituted by international and transnational organizations, powerful national states, and various capitalist groupings, functioning to organize transnational accumulation and serve the interests of transnational capital

(see Robinson 2004). Clearly, any social movement seeking to go beyond capitalism would, by necessity, need to confront and radically dismantle/transform this TNS.

Regional integrations such as the E.U. are part and parcel of the more general process of transnational integration, aiming at more favourable conditions for the accumulation of capital and the promotion of the interests, primarily, of the capital originating or operating within the European context. This is clearly confirmed by the neoliberal policies inbuilt within the basic institutional and economic apparatus of the Union, the specific operation of the Eurozone, the relevant policies to cope with the current accumulation crisis, and the multiple restrictions of democratic control. Unable to face the exacerbated crisis, the E.U. has given free play to market forces and has facilitated the domination of neoliberal policies. Under these conditions, however, the increasingly uneven development of capitalism within the E.U. has led to extreme development polarities and a growing indebtedness of the less developed countries or regions.

In the least privileged countries of the European periphery, such as Greece, the competitive market pressures emanating from trade liberalization and the integration within the E.U. have led to a progressive disruption of economic and social structures, while the growing indebtedness has implied the imposition of extreme austerity policies resulting in a devastating humanitarian crisis, as well as an intensified ecological stress. It is for these impacts and the more general implications expected from this integration that several researchers and political activists have for long opposed such integration and stressed the need for the country's disentanglement from the E.U. framework (see Liodakis 2000). This exit from the E.U., however, and not merely from the Eurozone, has not been meant as an option for an independent capitalist development of the country, as it may be the case for nationalist political platforms associated either with the extreme-right or some parts of the Left. It is rather meant as a working class movement challenging both the supranational state apparatus of the E.U. and the CMP more broadly, seeking a far-reaching socialist transformation based on transnational solidarity and an expectation that other countries would simultaneously move in the same direction. Undoubtedly, such a broader project seeking to supersede capitalism would have to be based on even broader social alliances and common action on a, more or less, global level.

4. Challenging capitalism to overcome its crisis

As becomes clear from above, the currently transnational domination of capitalism and the exacerbated socio-ecological crisis it has generated do not allow a decent and sustainable human development, while opening the prospect for new 'dark ages' for humanity and/or a planetary ecological collapse. To overcome this socio-ecological and civilizational crisis, as well as its dismal implications, we have to challenge the prevailing CMP and the associated relations of power and domination, and predominantly the state institutions at all levels.

An effective challenge of capitalism and its state institutions needs to be based on a correct understanding of the current condition and the evolving dynamics of global

capitalism. For such an understanding, we have to abandon mainstream economics, taking from it only some minor pieces of knowledge, while critically reworking alternative theoretical approaches and mainly an interdisciplinary Marxist framework in order to properly understand the current developments of world capitalism. But to understand the world is not, of course, a sufficient condition for changing it. One crucial point from such a theoretical framework should be to understand that, despite the greatly exacerbated crisis, capitalism should not be expected to automatically collapse. It rather needs to be overthrown before it destroys the conditions for a more peaceful, prosperous, and ecologically compatible development of humanity within nature. Undoubtedly, there is a need to mobilize great social forces to bring such a radical change about. We will deal with the subjective conditions and the organizational forms of such a mobilization in the next and final section. In the present section we focus on some of the main forms that such a revolutionary challenge of capitalism might take on both a national and transnational level.

Presently, a great number of class or social struggles and a variety of social movements are in several respects challenging the normality and the conditions for the reproduction of a still dominant capitalism. Some of these struggles or movements aim at certain distributional changes or a partial reform of existing capitalism, while others seek to overthrow the existing state institutions, to radically transform capitalism, and eventually supersede the CMP. In the latter case, there is a bifurcation and a great dilemma concerning the struggles and the strategy to face the current crisis and supersede capitalism. On the one hand, some struggles and movements, influenced more from an anti-authoritarian or anarchic theorization, focus mainly on local or thematic issues, aiming at social survival and environmental protection in the context of the current crisis, and a practical pre-configuration of alternative forms of social organization. They have a more interstitial character and invest in the belief that the proliferation and extension of such projects of endeavours could lead to a supersession of capitalism. Such struggles or strategies usually emphasize horizontal coordination and encourage cooperative self-management practices. However, by ignoring or downplaying vertical relations and the need to confront capitalist state power, they often fail to develop a sufficiently workable horizontal or confederative coordination, running the risk of a symbiotic assimilation within the existing capitalism. On the other hand, some movements or strategies, influenced more by a traditional Marxist theorization, take a critical stance on such interstitial strategies and focus on a more holistic confrontation of capitalism and often on the seizure of political power (see Sharzer 2012, Fuentes-Ramírez 2014). But apart from their state-centrism, these strategies often ignore the necessity that any struggle for social change must emanate from within capitalism, based on its internal dynamics, and starting from today instead of awaiting for the ripening of objective and subjective conditions for a social transformation.

My suggestion is that both these strategies, which may be roughly equated to the relevant strategies for social change from below or from above, may be necessary and need to be dialectically and properly integrated. Emphasizing an initiative and movement from below to ensure both efficacy and social (democratic) control, we

should not ignore that, in a transitional process and under certain conditions, some state or collective institutions may contribute to an effective and viable socio-economic transformation. However, a treatment or deployment of existing state institutions as a driver for a socialist transformation, even assuming a working class seizure of state power, will most likely end up with failure, a political compromise within the existing system, and serious ideological and political setback (see Petkas 2015). The specific articulation of a strategy from below with some initiatives or potential action from above should always depend upon historical circumstances, the existing social structures in each particular case, and the broader geopolitical conditions. At any rate, this dilemma and the relevant strategic articulation deserves to be one of the main issues to be focused upon by useful research work of those convinced that an effective facing of the current crisis can only be ensured through an overcoming of capitalism.

Another crucial aspect of the struggle to supersede capitalism concerns its national or transnational scope. Although traditional revolutionary strategies have usually focused on a potential transformation in particular countries, targeting mainly the relevant national-state power, the transnational development and integration in the current stage of capitalism and the concomitant development of a TCC and TNS make it imperative that an effective strategy heading beyond capitalism should have a transnational scope, based essentially on transnational solidarity and a common working class action across national borders (Liodakis 2012).

5. Reorganizing the struggle against capitalism

There is no question that a revolutionary challenge of capitalism and the prospect of its historical supersession require the mobilization of great and well-organized social forces, as well as a sufficiently conscious social/political agency. It is often argued, however, that the subjective conditions (in terms of consciousness) are not presently favourable for such an endeavour and that there is no clear vision of future society or communism. Such assessments may have a point. Nevertheless, it can be argued that class and revolutionary consciousness may only develop in the course of an unfolding ‘revolutionary practice’, and that a detailed configuration of future society may come out of specific historical circumstances as a result of the struggle of the social forces involved, taking of course into account some basic principles which are already available. The non-linearity of historical evolution might also give rise to rapid and largely unexpected developments. It should further be noted that, the extreme exacerbation of the current crisis should not be considered as a drawback, but rather a favourable condition and an opportunity for challenging the existing mode of production and social organization.

The crucial question here concerns the organizational forms and the characteristics of the social or political agents which may play an important role in the social mobilization and guidance of the struggle to overcome capitalism. A more specific question concerns whether social movements are sufficient for the guidance and implementation of the transformations needed, or if a specific political party is

necessary for this task, and in that case what the organizational principles of such a party should be. There is an extensive debate on this issue (see Harman 1969, Nilsen 2009, Roggero 2010, Zibechi 2010, MacVeigh 2013), and there is also plenty of evidence indicating that centrally organized parties tend to a bureaucratic structure, alienated from popular forces and undermining internal democratic control. As such, they tend to be integrated or assimilated within state structures, contribute to a reproduction of capitalist relations, and eventually lead to distractive ideological and political setbacks. Classic and contemporary critics of this type of centralized parties have often proposed workers' councils or soviets as an alternative organizational form (see Luxemburg, 1904, Petkas 2015), which allows an autonomous and democratic development from below, and a confederative coordination at a more aggregate social level. Pointing out a putative inefficacy of workers' councils, some advocates of centralized parties argue that, 'The abolition of capitalism depends on the organization of the class as a party, a solidary political association that cuts across workplace, sector, region, and nation. ... The party is necessary because class struggle is not simply economic struggle; it's political struggle' (Dean 2015a: 338). As argued more specifically,

To insist on a politics focused on isolating and archiving singular micropractices abstracted from their global capitalist context obscures the workings of state and economy as a capitalist system, hinders the identification of this system as the site of ongoing harm (exploitation, expropriation, and injustice), and disperses political energies that could be more effective if concentrated. (Dean 2015b: 398-99)

Although there is some merit to this argument, it should be stressed that strength and effectiveness of political mobilization may exist only where there is an unreserved trust and solidarity, and an unmitigated democratic control and active political engagement. The experience of centralized and bureaucratic parties, however, shows extensive authoritarian practices, disillusionment, disempowerment, and demobilization. For these reasons, the traditional centralized parties may have to be abandoned together with bourgeois parliamentarism and the practices of political delegation.

We cannot offer here any novel form of political organization. It should be pointed out, however, that the unfolding restructuring of capitalist production and the associated technological developments give rise to a continually changing configuration of class relations and contradictions, which constitute the material basis for new struggles and social movements. These social struggles or movements should be the point of departure and it is on this basis that political parties should perhaps develop, as a temporary form of coordination and collective guidance, without a historical permanence and any practices of class substitution, and without taking precedence over social movements. But whatever form such parties might take, it should be beyond dispute that a periodic shift in the agents of representation and all checks and balances necessary should ensure a democratic control and that the basic determination runs from the class basis of a social movement to the corresponding party and not vice versa. At any rate, it is to be stressed that this is clearly an open

crucial issue that should become one of the hot points for current theoretical debate and political activism.

Another form of collective social action concerns labour or trade unions. Labour unions have traditionally focused on demands related to wage increases, social security and working conditions, without posing broader questions concerning political power and the prospects of transforming society beyond capitalism. At the same time, they often pose demands that capitalism cannot afford. During recent decades, labour unions, especially on a second or third level of aggregation, have been characterized by expensive corruption and become increasingly bureaucratic. Thus, detached from the daily concerns of working people and their impulsive energies, they have largely ended up as a conveyor belt of capital and state power, ensuring labour discipline and social pacification. Despite the extreme impact of the current crisis, most struggles organized by such unions have proved to be completely ineffective. There is, therefore, an urgent need for a radical reorganization of labour unions or associations, with an initiative from below. Under these conditions, the traditional distinction between labour unions and political parties needs to be reconsidered and openly debated. The new organizational forms of working class agencies and social movements need to clearly move from narrow economic concerns to a broader scope encompassing issues of political power and processes of socio-economic transformation. It should further be noted that, traditional labour unions have been usually organized within a narrowly national context. In the current context, however, the transnational development and globalization of capital renders such labour unions completely ineffective and largely outdated. While several researchers have pointed out an emergent transnational working class ‘in itself’, it is often stressed that it does not presently function as a ‘class for itself’. But to function as such (largely a matter of consciousness) presupposes extensive common struggle. Without a corresponding reorganization of working class forces on a transnational level, based on transnational solidarity, class struggles cannot effectively undo the fundamental characteristics of social production and the priorities of global capital (see Liodakis 2012, Bieler 2012, 2014), nor could they effectively challenge or dismantle the emerging TNS to open the way towards a socialist/communist transformation of society worldwide.

As for social science, its best task under present conditions would be to consolidate and further develop a theoretical and methodological framework based on Marxist political economy and encompassing, not only all areas of social science, but also ecology and some essential bridges with natural science. Such a framework would greatly contribute to an adequate conceptualization and understanding of current conditions and the processes of socio-ecological change. Thus, it would significantly contribute to a transformation towards a just, peaceful, and harmonious society within a world-ecological context.

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Far-right blogging, migration and gender: discourses and aesthetics

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Abstract

Even though most of the main narratives concerning the crisis in Greece over the last 6 years are evolving around financial aspects, in this paper we present the socio-political dimensions with regards to far-right ideological reproduction. In particular, we focus on discourses about migration that arose during 2015 which was incidentally one of the high points of political turbulence and transformation.

Despite the fact that far-right discourses in Greece have been around since the late 1970s and 1980s, we perceive the entrance of the neo-nazi party Golden Dawn in parliament in 2012 as a ‘rupture’ in recent Greek political history. Discourses are sourced from 18 far-right websites and the emphasis is given on three interlocking systems of power that show us how social identities are constructed: nation, gender and sexuality. Moreover, we focus on the aesthetics of these websites and the cultural politics that are articulated by them. We utilise the tools of critical discourse analysis, which recognizes that the relationship between discursive practices and the social world is dialectical, i.e. that discourse is both constituted by social practices, while it also constitutes them. The recent refugee crisis triggered a (re)production of posts concerning the phenomenon of migration and therefore the reinforcement of nationalist narratives addressing the ideal national identity and national construction,

the social representations of gendered identities and the role of biological reproduction in the establishment of the nation. These discourses are bringing into the foreground narratives that draw both on notions of nation as blood and simultaneously of nation as culture. More specifically, the waves of immigrants arriving at the Greek borders are represented as soldiers attacking the Greek nation-state and endangering the employment of Greeks. Whereas, multiculturalism is represented as threatening Greek civilization, ethics, religion and traditions, therefore a new wave of anti-semitism and islamophobia is being revived.

This paper is part of an ongoing research project on civil society and online political participation conducted at the National Centre for Social Research.

Keywords: critical discourse analysis, far-right, gender, nation, social media

Even though most of the main narratives concerning the crisis in Greece over the last 6 years are evolving around financial aspects, in this paper we present the socio-political dimensions with regards to far-right ideological reproduction. In particular, we focus on discourses about migration that arose during 2015 which was incidentally one of the high points of political turbulence and transformation.

In this presentation we will focus on the online far-right discourses on migration that arose since SYRIZA, was elected to lead the government coalition in 2015. Despite the fact that far-right discourses in Greece have been around since the late 1970s and 1980s, we perceive the entrance of the neo-nazi party Golden Dawn in parliament in 2012 as a ‘rupture’ in recent Greek political history.

This presentation is also related to a broader social and political context which (re)defines civil society via the online world. In other words, it relates to the study of the impact of organizations/individuals throughout political society. This also includes issues of political participation and various types of transformations in political culture. The rapid creation of new collectivities of social solidarity indicated that under extremely harsh economic conditions, a large part of civil society was triggered to cope with the negative consequences of the crisis while at the same time, another part used cyberspace to promote deeply disturbing conservative ideologies. Interesting is the emergence of “communities” which are only active via social networking and the Internet.

The financial and refugee crisis intensified a (re)production of posts concerning the phenomenon of migration and therefore the reinforcement of nationalist narratives

addressing the ideal of national identity, the social representations of gendered identities and the role of biological reproduction in the establishment of the nation.

This research is part of an ongoing project lead by Dr. Alex Afouxenidis at the National Centre for Social Research in Athens and we are currently finishing a book chapter on this particular topic. It draws on his earlier and long-term study of civil society and its organizing elements in Greece (see for example Afouxenidis & Gardiki, 2014) and from a small-scale study that we conducted around the “cultural politics” on Twitter (Sioula-Georgouleas, 2015).

The virtual space of far-right discourses is bigger than someone may think. We have detected more than 100 blogs. In this paper 18 far-right websites¹, are examined which are indicative with respect to the ideas portrayed overall. The emphasis is given on discourses related to nation, gender, sexuality and migration. Moreover, we seek to examine the aesthetics of these websites with the aim of identifying visual representations and sub-narratives.

Our research utilized the following theories & methods:

- 1) critical discourse analysis, which recognizes that the relationship between discursive practices and the social world is dialectical, i.e. that discourse is both constituted by social practices, while it also constitutes them. Aiming to expose the role of discursive practices in the reproduction of unequal power relations, struggles for a radical social change and it is committed to the oppressed social groups.

¹ againstmodernworld, ideapolis, redskywarning, hellenicpride, armahellas, maiandrioi, combat18hellas, mavroskrinos, eleyxis-ellinwn, ethnikidrasihleias, allenaki, antipliroforisi, koinosparanomastis, eleytheroi-ellines, erimihora, theodotus, kyanosaden, hellenicfascism.

- 2) Normative framework (what sort of things constitute far-right discourses as they appear online) with the aim of producing descriptive typologies and
- 3) Critical theoretical framework (Habermas, Adorno, Benjamin, but also Baudrillard and Foucault).

Our analysis draws from theoretical studies around the formation of the far-right discourse (Mudde, 2007; Billig, 1995; Georgiadou, 2015) as well as from recent studies around the social and political implication of the Internet use (Afouxenidis, 2015; Fuschs, 2014; Murthy, 2012). We are interested in the way the far-right discourse is articulated in different social contexts (della Porta et al., 2012; Macgilchrist & Bohmig, 2012; Yilmaz, 2012; Petrou et al., 2015) with respect to feminist interpretations (Kesksen, 2013). Since “Internet technology is fundamentally conceived in terms of a cultural public sphere” (Afouxenidis, 2015), our approach is enriched by studies illustrating the aesthetic part of far-right discourses (Richardson & Wodak, 2009; Engstrom, 2014; Peters, 2015; Enkman, 2014).

Our sample was formatted according to a typology that emerged through our research, leading us to 3 main categories: first, the characteristics of the basic ideological and political profiles that these blogs embody, their political activism and cultural politics. Based on the self-identification of these blogs, the 2 dominant ideologies are nationalism and Nazism. The offline political activism portrayed through these blogs was also mapped (posters, brochures, marches, slogans, violent acts etc). We also focused on the cultural, political and religious remarks that we found in these blogs, such as poems, videos, pieces of novels or theoretical texts by important figures of nationalism and Nazism, as well as on the characteristics of the language in use. Secondly, we studied the discourse concerning migration and thirdly gendered

representations. Additionally, the majority of the blogs under study reproduced some form of conspiracy theory, leading us to a more detailed analysis of this phenomenon.

Social networking

Website	Starting date	Number of visits	Social Networking
antipliroforisi	10/05/2007	2.961.888 (unique hits) ¹	twitter
erimihora	25/06/2007	-	-
mavroskrinos	01/09/2007	-	-
armahellas	17/09/2007	-	-
redskywarning	30/11/2007	(747 members via Google)	twitter
maindrioi	27/02/2009	-	-
allenaki	18/06/2009	603.070	twitter
eleytheroi-ellines	01/02/2011	733.955	facebook/ twitter/ youtube
theodotus	19/11/2011	-	-
koinosparonomastis	06/06/2012	955.754	facebook
againstmodernworld	22/02/2013	28.001	facebook
ideapolis	29/03/2013	-	facebook
kyanosaden	20/05/2013	-	-
hellenicfascism	10/10/2013	-	twitter
ethnikidrasihleias	13/08/2014	-	-
hellenicpride	27/09/2015	-	facebook/ twitter/ youtube
eleyxis-ellinwn	2015	-	facebook/ twitter/ youtube

In this table we can have a glance at the history, internet traffic and social networking of these 18 blogs. We notice that the majority of them were founded during the last 5 years (since 2011), while the rest operated during the last decade. The information regarding the number of visits are few, since none of the web-analytics tools that provide such information are free of charge. Therefore, we settled with some doubts to the number of hits that these blogs display. As for the use of other social media, we noticed that twitter and facebook are equally used, with some of these blogs having accounts on both platforms as well as on youtube.

Now, in order to get an idea of the aesthetics of these blogs, we have collected the banners of the websites, divided in the 2 main ideological trajectories.

Nationalist blogs



If we look at the blogs that reproduce nationalist discourses we will notice that the dominant colors are blue and white, due to the iteration of the greek national flag and red, a warm color (but also a colour that denotes *blood* & honour) that is telling the visitor to browse a website affiliated with revolutionary and combative standpoints. We also notice military images deriving from ancient Greece, such as the Spartans, Alexander the great, meanders, helmets, shields and spears. On the upper left side, where we see a screenshot of antipliroforisi blogspot, you can notice the unraveling of a conspiracy theory along with an anti-Semitic message: 4 young people are absorbed by the television which is displayed as an instrument of stupidity, controlled by the «Jews», because the Star of David is depicted on its screen.

The dominant colors portrayed in the nazi blogs are black and red, creating a more combative image.



The depicted black male figures wear full-face hoods, reproducing a more “radical” look, which we observed that is often adopting elements from the black block. Meanders and swastikas and targets are the most reproduced symbols. C18 is referring to a nazi terror group, part of the “Blood and Honor” group, which was active in the UK in the 90’s killing immigrants and non-white citizens. 18 symbolize the 1st and the 8th letter of the Latin alphabet matching the initials of Adolf Hitler, A and H. The greek national flag and photographs depicting statues or temples constructed in ancient Greece are once more in the foreground, as well as military helmets.

Now, if we focus on the discourses articulated in the examined blogs around migration, we will notice the emergence of 4 interwoven types of representations of the migrant population. First of all, the refugee crisis is seen as part of a worldwide conspiracy planning on destroying nation-states and establishing a global governance in order to control mass populations. Immigrants’ and refugees’ entering Greece is

almost depicted as a military attack, threatening to alter the values and culture of the Greek nation and to “pollute” national purity in the name of “multiculturalism”. In the end, migrants are endangering the rights and wellbeing of the Greek population. Therefore, we notice that these discourses are bringing in the foreground narratives that draw both on notions of nation as blood and simultaneously of nation as culture.

More specifically, this conspiracy is lead by “the New Order” or “New World Order”, “an invisible center”, “the European Soviet Union”, “the bankers”, “communists-globalizationists”, “internationalists”, “Masons” aiming at the weakening of the nation-states in order to establish a “worldwide Zionist dictatorship”, “a new global slavery”. This “plan” has several names, sometimes is called “Ozal plan” which is referring to the former Turkish prime minister and his statement that “a war is not necessary in order to conquer Greece”, or “Agenda 21” referring to an action plan of the United Nations with regards to sustainable development, part of the examined blogs is disputing the apparent goals of this agreement, supporting that the real targets are the depopulation of the Earth, the abolishment of national sovereignty and personal property, the destruction of family, the degradation of standard of living etc.

We observe the emergence of a triangle scheme where the people that cross the Aegean Sea on boats in order to reach the greek borders, risking their lives, are portrayed as the victimizers, as soldiers invading Greece bloodlessly, willing to contaminate the population, under the order of this invisible center of power. In order to devalue them and to identify them with criminals, the examined blogs are referring to them as “brownyellow lizards”, “contraband immigrants” or “contraband refugees”. On the other side of this triangle are the victims of this invasion, the Greeks and the Greek state, and the third part of this scheme is the medium used to

succeed this invasion, multiculturalism. These foreigners bring along new traditions, cultures, ethics, religions and values and are willing to alter greek civilization.

Apart from the different ethics and lifestyles, immigrants are bringing along “foreign blood”, “alienating little by little the Greek people”, “threatening national purity”. This interpretation of reality is vividly visualized in this poster found on ideapolis’s website, which was placed on walls as a poster in various streets of major greek cities.



It refers to legislation regarding Greek citizenship. In the first picture, the queue of colored men is headed “uncontrollable lathro-immigration”. “Lathro” is the greek adverb of the word “contraband” which is used by the far-right discourse in order to address immigrants who arrive in Greece without legal documents. This expression embodies the stereotype of the criminal immigrant since the other uses of the preposition “lathro” are found in the words “smuggler” (lathremporos, contraband trader), “stowaway” (lathrepivatis, contraband traveler) etc. The fact that only men are depicted in this picture is reinforcing the imagery of an army invading Greece. The illustrated outcome of this invasion is mass citizenship, leading to the unaccepted

phenomenon of a shared culture, since a black boy is holding the greek flag at a school parade on a national day celebration. The effect of this will be the replacement of population, resulting to a classroom where white children will be the minority. The message that this poster wants to convey is written below the pictures “Stop Greek extinction”. Through a time travel, we witness the alienation of the greek population and its replacement by foreigners and we are called upon action.

The last point of threat that immigrants embody in these discourses is the wellbeing of Greeks. The labor, insurance and housing rights of Greeks are at stake according to several posts that are referring to an old agreement from the 90’s signed between the Greek and the Albanian state in order to avoid double taxation, and b) to a law that the Greek government is supposed to pass through parliament, allowing immigrants to stay for free in the indebted houses. Disinformation is utilized here in order to portray the greek state as favoring immigrants instead of greeks, disseminating panic and fear of the Other.

Since the refugee crisis is seen as part of the Turkish plan to Islamize Europe, Syrian refugees are not as depicted by the media. We can find posts in these blogs mentioning that reporters try hard to find a picture of a mother with her children in order to represent refugees as “innocent” and to make Greeks more receptive of the arrival of foreign populations, since the majority of the refugees arriving at the Greek borders are young men, who have a lot of money, which is connoted by the fact that they can afford this expensive trip, they wear expensive clothes and use expensive mobiles. Some blogs claim that even the picture of the body of Ailan, who was found dead on the Turkish shore, is a product of montage aiming at the sensitization of European citizens.

As it has already be shown, discourses regarding migration have also to do with social constructions such as nation, gender and sexuality: black, foreign, young men are entering Greece and are willing to transform its culture and pollute its purity. Similar visual depictions of male refugees, studied by international scholars, have led to the representation of the male refugee population as dangerous (rapists and/or terrorists) and/or as cowards (leaving their women and children unprotected) (Rettberg & Gajjala, 2016).

These men are further diminished through the republication of a video headed “How do women in Syria feel about their men leaving in Europe as refugees?”. In that video, women who live on camps in Syria are accusing those men that abandon their motherland in times of crisis by stating: “who is going to free us? Who is going to protect us? It is a mistake to abandon your motherland, your women and children. Islam forbids it”. The honor of those men is based on their will to fight and probably die for the protection and freedom of Syrian women. Whereas, Syrian women come to the foreground and deserve to be protected due to their reproductive role in society as wives and mothers. In this example we notice the operation of “self-orientalization” (Ong, 1999) through the use of social media, leading to a marginalization of Syrian women (Alhayek, 2014). The depicted Syrian women reproduce hegemonic orientalist discourses, representing themselves as powerless, victimized and in need of protection by someone strong, homogenizing the Syrian female population and marginalizing different experiences.

At the same time that those “waves” or “flows” of migrants that threaten to overflow Greece and spoil its national purity, discourses around the demographic problem arise once again. Abortions are depicted as murders, weakening the Greek nation, and the

effort to legitimize them in countries where they are forbidden it is interpreted once more as part of the worldwide conspiracy, which is this time aiming at the depopulation of the Earth. Therefore, according to the examined blogs, the interconnection of national policies about abortions and migration is heading towards a genocide of the Greek population. Fragments of political opportunity theory are noticed, since we might assume that if the main refugee population was originating from India the narrative would be the same.

The nazi blogspot “mavroskrinos” designates the role of women in national socialism through the comparison of two ancient cities, Athens and Sparta. By characterizing the regime in ancient Sparta as “national socialist”, the blogspot tries to illustrate the upgraded role of women in comparison to that of women in ancient Athens by claiming that women in ancient Sparta had the right to property, to athletics, to choose their husband and to polyandry”. Their analysis focuses also in the upgraded role that women held in nazi Germany, since they “enjoyed maternal leave and privileges that the ‘suffragettes’ couldn’t even imagine”. The role of women in these two societies is understood due to their proximity to nature via their ability to give birth. Therefore, it is understood that the value of women in these nazi discourses is estimated through their ability to give birth, especially to brave men, capable soldiers that will defend their nation.

In this photo we notice the representation of a young woman taking a selfie:



Her blouse, which is in the center of the photo, we observe a Kalashnikov framed by the phrase “defend Europe”. This photo incites the use of guns for the protection of Europe through an Instagram aesthetics. The fact that a white western young woman is the subject of the photo leads us to a double reading: on the one hand, the body of the woman symbolizes Europe which is in need of protection, while the black blouse with the printed message on it functions as a shield, symbolizing the way Europe should be defended (with guns). On the other hand, we can notice a differentiation and an upgrade of the role of women in this fight against the enemy either through the encouragement of the fight or through their active involvement.

The photos found on the ideapolis blogspot addressing the male population are of similar aesthetics. The buff and ready-to-fight man is the dominant ideal masculinity. More elements of this ideal masculinity can be drawn in the portrayed poster of the “propatria” martial arts festival. The ethnocentric character of the festival is understood from its name (propatria) in favor of motherland, while the ancient Greek statue connects the organizers with the ancient Greek civilization, which is considered as the ancestor and inspirer of the contemporary Greek civilization.

At the same time, we notice the expression of a concern for the “feminization of the population” through the endorsement of two scientific studies indicating that “the average man has 22% less testosterone than the men of the same age during the 80’s”.

The ramifications of this phenomenon are noticed in the psychology, the appearance and the sexual “nature” of men. This article was published on the occasion of death of the young student Vangelis Giakoumakis which opened the greek debate on the phenomenon of bullying and its main argument is that this “campaign against bullying” is actually “a campaign against masculinity”. The conspiracy theory comes once again in the foreground claiming that “contemporary states invest in the control of their citizens and when men are coward, weak, without dignity or honor, are easy and efficient for the states. Men who wish to fight constitute a problem since they disturb commerce”. The dignity and honor of men is measured on the levels of their testosterone and the amount of power that they possess. In this example, we notice the splice of anti-capitalist (trade, economic interests) and anti-state discourse with a highly gendered one. Men who are willing to resist their manipulation and fight in the name of national pride, against the state dictates not to do so, perform the ideal masculinity.

Some concluding remarks

Obviously, there is a substantial part of political blogging promoting, as we argued at the beginning, deeply disturbing conservative and racist ideologies.

Another interesting remark could be that of the depiction of an embedded contradiction: far-right blogs are arguing against cosmopolitanism and globalization through the use of transnational and globalized digital mediums, such as social media. This sort of contradiction is an additional outcome of the politics of late modernity, which has changed the construction of the subject, has fragmented identities and has generated ambivalence, chaotic social relations and new sets of contradictions, e.g.

Resistance to westernization coupled by simultaneous acceptance of its cultural formations.

This contradiction is an outcome of late modernity, especially as it is being unfolded in Greece, who seems to have an ambivalent stance towards oriental ideas: on the one hand it's striving to be modernized and be part of the so-called 'west' and on the other hand it is resisting.

Lastly, it is noteworthy that such disturbing and racist ideas are filtered through to "mainstream" cultural politics, leading to legitimization and mainstreaming. While, at the same time, we come across a vicious circle, where ideas found in public discourses are appropriated by far-right websites. Subsequently, when we discuss the realm of "cultural politics" as seen through the lens of these types of online political mediums, the emphasis should be given to the idea of "politics" as the main component re-shaping the "cultural".

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**Solidarity movements in Lesvos and the case of refugees:
A philosophic view about the current social context**

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Abstract

This paper discusses the conjunction between the integral parts of a crucial antithesis: theory vs. praxis, proposing a form of interdisciplinary “reconciliation”, through the case study of the recent refugee crisis. The sociological aspects of the present refugee problem will be discussed using two methods in parallel, i.e. the method(s) of social sciences and the philosophical one. The paper can also be interpreted as an example of a “dialogue” between the two disciplines, from the perspective of a current problem.

The crisis having affected the economic and social reality all over the world had severe consequences for Greece and the Greek people. Some predicted the disintegration of the Greek social nexus, whereas others insisted that the crisis was not only the result of recession, but was also interconnected with a decline of moral values penetrating the entire Greek society. In contrast to this view, there are examples of voluntary organizations and solidarity groups which have stood by the victims of crisis.

The positive effect of several of these groups was soon amplified to provide assistance to refugees who have been arriving *en masse* in Greece since 2014, while many gradually focused their attention exclusively on refugees. Despite the insufficiency of funds and resources, these solidarity groups flourished after 2014 stepping forward with many more volunteers. This phenomenon contests *typical* analytical views focusing on social disintegration, passivity and the decline of moral values. On the other hand, a lot of people were not involved in solidarity groups or movements supporting refugees (or even other Greeks victimized by the crisis and “condemned” to poverty and homelessness), or have been influenced by xenophobic hysteria and declarations about the “invasion of immigrants” instigated by certain mass media or the preaching of the Greek extreme right-wing political party “Golden Dawn”.

This melee of conflicting views and concepts produces an interesting analytical sample that can help us reinterpret aspects and embodiments of the crisis from a new analytical perspective. The paper focuses on the case study of Lesvos, the Greek island having received the greatest flow of refugees after 2014-2015, and concerns social aspects and transformations of social structure interconnected with the refugee flow, as well as philosophical views and theoretical problems arising from the concept of *solidarity*, examined as a fundamental connection between the results of sociological research and the leading ideas in Social and Political Philosophy.

Introduction: “Solidarity” as a worldview

Modern societies face History in a postmodern way. Trying to overcome the influence of mass-media - in parallel with the “spectacular” self-description of the society in which they function - peoples found a new ground for creating the image of “polis” on the Internet. The History of wars, due to which refugees are forced to move in the world map, is hence dictated through social media, whereas the idea of *solidarity* is comprehended in a new historical context. In this paper the theoretical concept of *solidarity* is discussed in brief and the idea of *solidarity* as the “praxis” of the people in Lesvos facing the multitude of immigrants arriving to the island is discussed in detail. Recent circumstances reinstated post-war debates about “the solidarity of the peoples” which finally took the form of globally-expanded norms. The starting point of this discussion, is the tripartite motto of French revolutionaries in the 18th century (“Liberté,

Égalité, Fraternité”) signifying the very beginning of modern times. The notion of solidarity transforms the claim for fraternity or the brotherhood of mankind, expressed in the third part of this motto.¹

In the light of Marxism, this idea was comprehended as a result of class revolution, since “civil society” emerging from the bourgeois revolution historically did not substantiate the realization of “equality” and “liberty”. A new revolution arising from class struggle was expected to break frontiers, in order to unite the global “brotherhood” of workers. For Marxists, the overthrow of capitalism was a fundamental precondition of real “solidarity” between nations, thus continuing the philosophic axiom of Hegel about “totality”: historical changes obeying the rule of “dialectics” can be explained only under the light of “totality” as a law of History. The latest form of capitalist states, namely the “society of spectacle”, brilliantly described by the group of “Internationale Situationniste (International Situationists) during the early 1970s² signified in advance that the battle about the end of History which would later be widely propagated is just an illusion. We can now definitely conclude that History never stopped, bringing again to light the necessity to re-comprehend the idea of “solidarity”. In addition, new circumstances allowed for “solidarity” in some cases to become the main option of society’s “self-description” with the aid of social media. The idea emerged again as a safe way to observe not only ourselves but the whole world, being simultaneously a view about our society and also a worldview. However, the new, postmodern problem that History revealed in the current social context is the disconnection between “solidarity” and “totality”, a crucial philosophical problem of our times, which we will try to analyze also focusing on the new social phenomena that appeared due to the refugee crisis and interpreted through the spread of social media.

Lesvos and the refugee flow

Lesvos is a Greek island which lies on the north-eastern Aegean Archipelagos, very close to the coast of Turkey. Due to its geographical location Lesvos has been chosen as a major entrance point of the sea routes leading to Greece and thus the “European territory” by refugees gathering in Turkey.³ Some sporadic attempts of passage, (mainly) by Afghans, began in 1985, and were followed by some Kurdish people in 1998, and then again by Afghans in 2001-2002. Arrivals of refugees during this period were relatively rare. After their arrival, taking place almost exclusively at night, under the cover of the darkness, they would put themselves under the authority of the police and/or the port-police. More or less, all these people were treated as “illegal immigrants” by the authorities. In general, they were arrested and detained in police stations before their release, and were provided with a “note” stating that after their release they had to leave the country (Greece) in a month. Incomers had the right to apply for asylum and their applications were examined by the police. Legal procedures however, were extremely slow and most incomers were unable to support their applications efficiently, as they did not speak or read Greek, and could not afford to pay for lawyers to assist them. Therefore, some continued their journey towards other European countries (following various routes

¹ The anarchist option of the idea (“mutual aid”) that emerged in the 19th century involving Ethics (Kropotkin, 2009: 194-195, 209, 243; Kropotkin, 2007: 39-49) is reexamined in the theory of “libertarian municipalism”, which appeared in the essays of Murray Bookchin, during the last decades of the 20th century.

² Human experience “has been drawn away and replaced by representations”, since “the spectacle is the capital which has been as much accumulated as to be a spectacle” (Debord 1986: 9, 21). See also: Vaneigem 20-21, 38.

³ Compared to other islands in the North Aegean, also close to the Turkish coast (e.g. Chios and Samos), Lesvos received and hosted greater numbers of refugees. Though the reason for this is still not clear, it may be due to the particular topography of the Asia Minor coast and specific locations offering “easier” access to the Greek islands, or due to the specific allocations of networks of traffickers.

and means to achieve this) or stayed in Greece and were in some cases able to gain a legal residence status.

By the end of the 2000s, the number of incomers was high enough to motivate local (Lesbian) authorities to restrict them in an old prison establishment in Lagada, in the city of Mytilene, and then in another establishment in Pagani, Mytilene, which was turned into a detention center. The accumulation of prisoners there, led to an uprising (25th - 31st August 2009) supported by the movement "No Borders" (established by European activists) and local volunteers, and resulting to the closing down of the detention center of Pagani and the release of detainees. The previous year (i.e. 2008) a hosting structure for unaccompanied minor refugees had been established in Ayiaassos, Lesbos, named by the refugees "Villa Azadi" (i.e. "Liberty Villa"), which continued to operate until 2013, when the funds supporting the project dried up.

After 2009, there was an interval in the flow of refugees, as they took to the overland route through the Evros River, which delineates the border between Greece and Turkey in Thrace. Statistics available by the Greek police authorities point out that in 2009, 8.787 "illegal immigrants" were arrested trying to enter Greece through the land borders between Turkey and Greece (i.e. the Evros river area) and 27.685 at the sea borders between Turkey and Greece, whereas in 2010 only 6.204 immigrants attempted to enter the country via the sea route and 47.088 via the land route⁴. Around 2012, and following the erection of a fence on the Greek side of river Evros, and along the Greek-Turkish border, refugee and migrant flows gradually "returned" to the Aegean islands. According to statistics from the Greek police, 200 people were arrested in Lesbos in 2011, whereas in 2012 this number increased to 1.417. The most characteristic example was the arrival of 40 Afghans in November 2012, which mobilized the reflexes of the local society and local authorities in various ways, as described further on. In the beginning the numbers of refugees were small and the flow was not continual. But the flow gradually increased according to statistics available by the Greek police for Lesbos: in 2013, 3.793 "illegal immigrants" were arrested and in 2014⁵ the police arrested 12.187 people.

Moreover, two new elements differentiate the quantitative and qualitative characteristics of incomers. The first one has to do with the percentages of different ethnicities constituting the sample of the incomers. For example, in 2010, the majority of "illegal immigrants" arriving to Greece according to police records are identified as Albanians (50.175), Afghans (28.299), Pakistanis (8.830), Palestinians (7.561), Algerians (7.336), Somalis (6.525) and Iraqis (4.968). In 2012 Afghans (16.584) and Pakistanis (11.136) exceed the number of Albanians (10.602), and Syrians appear for the first time in remarkable numbers (7.927). In 2014 Syrians take the lead (32.590), and are followed by Afghans (12.901) and Pakistanis (3.621)⁶. A second crucial differentiation in concern with refugee populations is that before 2010, most of the people moving to Greece (and by extension to Europe), were men, travelling alone, without their families, and planning to secure a place for themselves in "Europe" - or even in the "humble" but still European "neighbourhood" of Greece - and then call their families to follow them legally, in terms of a reunification process.

Some Afghan families followed a slightly different strategy. Instead of adult men they would "send off" unaccompanied male youngsters (aged 15, 16, 17 or even younger sometimes) as "scouts" trying to secure a place for themselves in order to call the rest of the family to the European "heaven" afterwards. However, after 2012, women, children and families gradually appear in greater numbers among the refugees. This tendency

⁴http://www.astynomia.gr/index.php?option=ozo_content&perform=view&id=3665&Itemid=429&lang=
[Accessed 09/05/2016].

⁵http://www.astynomia.gr/index.php?option=ozo_content&perform=view&id=38019&Itemid=73&lang=
[Accessed 09/05/2016].

⁶http://www.astynomia.gr/index.php?option=ozo_content&lang=%27..%27&perform=view&id=55858&Itemid=1240&lang= [Accessed 09/05/2016].

possibly reflects urgent needs emerging in their countries of origin. For example, most of the Syrians had no choice: they knew that by leaving their families behind they were exposing their beloved ones to great and constant danger because of the fights raging all over the country, when - at the same time - they were probably convicting their children to be deprived of proper education or - at worse - to starve to death because of the lack of food in cities or neighbourhoods under siege. But we can also assume that the tendency to include families and children in the “refugees’ caravans” marks a deeper change of strategies adopted by incomers. We do not know if other ethnicities were inspired or even encouraged by the Syrian paradigm, or by the general “atmosphere” indicating a relaxation of the measures combating “illegal” immigration to Europe, which emerged as a prospect in early 2015. The fact is that more people from different ethnicities adopted this practice, increasing the number of incomers, and changing the qualitative composition of the refugee stream.

In any case, in the year 2015 there was an outburst of the refugee flow: boats and various types of vessels full of refugees began to arrive (mainly) to the Greek islands of the north-eastern Aegean all day long and on a daily basis. The police records testify that 499.495 Syrians, 213.267 Afghans, and 91.769 Iraqis entered the Greek territory in 2015. Many of the Syrians, a considerable number of Iraqis, and some Afghans, Somalis, etc, travelled as families, including men, women, children, or even older family members, like grandfathers and grandmothers. In Lesvos the arrivals were about 1.000 per day in May and June 2015; then the numbers increased even more. In October 2015 the arrivals of refugees exceeded 5.000 people per day. The local newspaper “Embros” in an article on the 1st of October 2015, refers to 186.270 “refugees and immigrants” passing from Lesvos during the past nine months of 2015, whereas in September, the arrivals were 73.179.⁷ The article also points out that this number was “almost triple the total population of the island”. Official police statistics show an even more pronounced image: 512.327 people passed from Lesvos in 2015 and 124.520 in two months in 2016, when the corresponding average of the first two months of 2015 was only 4.657.

As a result, there was a dramatic escalation of shortages in infrastructures and human resources. During this period the role of local volunteers, offering help, food and (occasionally) shelter to refugees, proved decisive, at least for the period from 2012 to July or August 2015, when a lot of Greek and international NGOs arrived in Lesvos and became actively involved and aiming to give relief to refugees.⁸

Among Lesvian volunteers the main role was played by the network named “Village of All Together” (as they themselves have translated their name in English). The “Village of All Together” was originally established in 2012 as a network and umbrella organization the members of which were a series of associations and clubs of Lesvos with different and even divergent aims. For example, the network included and allowed for the coexistence of agencies/bodies or associations linked to the Church the activities of which were often in divergence with partners/members who clearly had a more “politicized” and/or “radical” viewpoint about the Crisis “phenomenon”, its causes and the policies adopted by the Greek political authorities and the EU, and about the policy responses to the refugee crisis.⁹

⁷ Newspaper “Embros”, Thursday, 1st October 2015.

⁸ The exact number and the identification of the NGOs involved in the Lesvos refugee crisis is still questionable. But it can be assumed that from July - August 2015 until May 2016, more than 150 NGOs have been activated in Lesvos, including some very well known and powerful (politically and financially) organizations like IRC (International Refugee Committee) or “Caritas”, and also the Greek section of the “Doctors without Borders” and “Doctors of the World”. There were also some Muslim NGOs with most of their members coming from second or third generation refugees who were accepted and naturalized in Northern Europe. The UNHCR (the United Nations High Commissioner for Refugees) were of course diachronically present and active (long before the arrival of other Greek and international NGOs).

⁹ The network of the “Village of All Together” was originally established by the “Network Electron for exchanges and solidarity in Lesvos”, the “Social Dispensary and Pharmacy of Lesvos”, the movement “I won’t pay” (a title referring to unjustifiable taxes and fines introduced after the first Memorandum and

The main focus of the network “Village of All Together”, was originally to support and offer relief to the inhabitants of Lesvos (without excluding non-Greek people) who were or would be victimized by the Greek economic Crisis. Having this scope, the main ideological concept which motivated the actions of the network’s members was *solidarity*, a concept which was not restricted by any criteria or categorizations referring to race, age, gender, religious beliefs, or membership in specific social groupings or aggregations/bodies. As a result, the members of the “Village of All Together” were among the first citizens of Mytilene who tried to offer support to the 40 homeless Afghans who arrived in Mytilene in November 2012, and had settled in an open area next to the building which at the time accommodated the Municipality. Because of the upcoming winter, the Mayor allowed them to be temporarily housed at the former children's camp of PIKPA¹⁰ that was not functional at the time. Many volunteers from the “Village of All Together” followed in order to help by clearing up the area, and distributing clothes, blankets and food. This was the beginning of the well-known Refugee Facility of PIKPA, which to this day (i.e. May 2016) is still working as the only open and self-organized refugee hosting structure in Lesvos and perhaps throughout Europe.

The necessity of the PIKPA establishment emerged because the Greek state responded with considerable delay to the increasing flow of refugees. The detention center in Moria (outside a village of Lesvos and relatively close to the capital city of Mytilene), financed by European funds was established in 2013, while in 2015 under the refugee flow pressure the Municipality allocated a space originally organized as a “Traffic Park for Children” in an area known as “Kara -Tepe” (very close to Mytilene) for hosting refugees.

In this context PIKPA functioned mainly as a hosting structure for vulnerable categories of refugees who had applied for asylum, as for example disabled people, families who sought reunification, people suffering from injuries or illnesses. In general, the people hosted in PIKPA were selected through a cooperation process between local authorities and the members of the “Village of All Together” who ran the Facility. Despite the cooperation though, there have been incidents of dysfunctions. For example, in 2014, the increased refugee flows resulted in a temporary operation failure of the centre in Moria, so the “Village all Together” shouldered the responsibility to host some 600 refugees in PIKPA. Apart from that, there were sporadic interventions by the Municipality or the State authorities questioning the usefulness of the operation of PIKPA and proposing the abolition of the relevant structure. However, despite efforts to abolish it, PIKPA has been functioning to this day (i.e. May 2016).

austerity programme), the “Union of the Consumers”, the “Social Grocery” (run by the Archdiocese of Mytilene), the “Social Grocery” of Plomari (a provisional town of Lesvos), the “Greek Lesvos Rescue Team”, the association “Coexistence in the Aegean” which focused on the maintenance of peaceful relationships and cultural exchanges with the inhabitants of the western Turkish coast, the NGO “Agalia - Hug” (being activated in Kalloni, another provisional town of Lesvos), the “Environmental and Cultural Club ‘Oak’ of Skalohori” (a village of Lesvos), the “Club of Blood Donors”, the “Club of People Suffering from Cancer in Lesvos”, the “Thalassemia Club”, the “Association of Alzheimer's Sufferers” (of Lesvos), the “Association of People with Special Needs ‘Kipseli’ - Beehive”, the NGO “Iliatida” (Sunbeam), which focused some of its activities on helping Disabled People, some volunteers from the staff of the University of the Aegean, the organisation “Help” which focused its activities on youngsters’ and the support of children, the “Greek Scouts” (of Lesvos), the “Producers of Open Markets”, the “Medical Association”, the “Friends of the Archdiocese”, the association “Smile of the child”, the “Civilians’ Academy”, the “Psychologists of the Hospital” (of Mytilene, Lesvos), the “Company of the Archangels”, “Civilians of Parakela” (another village of Lesvos), “Civilians of Mytilene”, “Solidarity for Everyone”, organization “Welcome 2 Europe” and independent volunteers.

¹⁰PIKPA is the acronym of “Patriotiko Idrima Kenonikis Pronias kai Antilipsis”, which means “Patriotic Foundation for Social Welfare and Perception”, a characteristically grandiose title coming from the Greek post-civil war period. In general, PIKPA as a foundation focused its attention on children’s care and health. That’s why it had organized camps all over Greece to host children for their summer vacations. One of them was the camp of Mytilene.

In 2015 the heavily-packed refugee flow tested the endurance and the resilience of local authorities and volunteers, of the Lesbian community as a whole, and - of course - of refugees themselves. As the authorities had no concrete plan of reception, they were obliged to improvise according to the circumstances. Initially incomers, landing mainly in the northern part of the island of Lesbos, which is closer to the Turkish coast, were deprived of basic reception facilities, and information centers to inform them about the conditions that determined their arrival and their (potential) onward journey to other European countries, with developed economies, as for example Germany, France, Sweden, the UK, which were the ultimate goal for most of them. What is more, the authorities made no provisions for setting up a transportation system, thus obliging refugees to walk 40-50 kilometers in order to "surrender" to the authorities in Mytilene, and leading them to undergo innumerable hardships. The lack of (any type of) transport also caused major traffic problems both to the residents of Lesbos and tourists. The hardships of incomers however continued even after their arrival in Mytilene. At times they were gathered at the port in order to gain access to the certification center of Moria; sometimes they were expelled from the port area and were obliged to settle around the port, and sometimes, when recording procedures came to a stop due to the lack of sufficient staff, they pitched out their tents in the city parks.

Under these circumstances, the assistance of the volunteers of the "Village of All Together" and other organizations or associations, set up in this context, was crucial. Volunteers offered food, provided basic information about legal procedures regarding residence or asylum provisions and took care of vulnerable groups, single-handed until August 2015; and have not stopped doing so to this day, even after the massive "invasion" of various NGO's.

As a result, a different kind of discourse was developed, reflecting public reactions to refugees, and differing largely from official announcements by the authorities or mass media publications at the time. Using the public discourse of the "Village of All Together" and of other volunteer groups, organisations/associations, etc, portrayed in their announcements, uploads in the mass media, the social media, etc, as a key example, our goal is to contrast this discourse with publications of mass media in Lesbos, Greece and on an international level.

Theorizing contemporary media: the self-description of society in mass media and social media

N. Luhmann stated that the most important operation of social systems is undoubtedly their self-description. By this, we mean the (self)-identification of a social system as a unit and the description of its properties (Luhmann, 1990; Luhmann, 2008). It is exactly this operation that ensures their continuation into an ever-changing environment as discrete entities. According to some recent developments in sociological theory, the mass media take over the role of constructing descriptions of the society as a whole. But the recent proliferation of social media platforms through the internet seems to change this situation in unforeseen ways: it might be that case that society takes over its own self-description, not any more via a specialized sub-system (i.e. the mass media), but rather through the unsolicited participation of persons and social systems through the social media. If this is the case, then the theoretical apparatus of contemporary sociology can be expanded to new fields of socio-technical systems, that (as a communications medium) offer an unmediated field, upon which - maybe for the first time in the history of humanity - all kinds of self-descriptions can be constructed.

According to the systemic paradigm, every system is immersed into its environment (von Bertalanffy, 1968; Maturana & Varela, 1980). The environment is the irreplaceable condition for the systems' existence. According to Niklas Luhmann (1986) we could conceptualize social systems, as *living systems* - that is, as systems that

continuously reconstruct their constitutive parts. The phenomenon is called *autopoiesis*, a term coined by the biologists Humberto Maturana and Francisco Varela (ibid) in an endeavour to rigorously define the characteristics of living systems. They came up with the conclusion that a system can be considered as living, if and only if, that system continuously recreates itself; they called this kind of system an "autopoietic system".

By definition, "*An autopoietic machine is a machine organized (defined as a unity) as a network of processes of production (transformation and destruction) of components that produces the components which: (i) through their interactions and transformations continuously regenerate and realize the network of processes (relations) that produced them; and (ii) constitute it (the machine) as a concrete unity in the space in which they (the components) exist, by specifying the topological domain of its realization as such a network*"¹¹ (Maturana & Varela, 1980: 72). Autopoietic machines are autonomous and "subordinate all changes to the maintenance of their own organization" (ibid, p. 80), they have individuality, they always function as unities *and their autopoietic network is strictly internal and circular*: the living machine continuously regenerates itself, and therefore autopoiesis triggers autopoiesis in a circular process.

So living systems do not remain unchangeable; on the contrary, it is exactly change - a *continuous* process of becoming - that guarantees the continuation of the living system as such. Therefore, *autopoiesis is a continuous process of becoming that conserves being (identity)*. We need to emphasize here, *that in no way autopoiesis is governed by the living system's environment*: autopoiesis remains an autonomous function or else there is no autopoiesis and the living system disintegrates. Putting it another way, we can say that the living system changes in a circular homeostatic procedure, which is *triggered but not specified by its environment*.

Niklas Luhmann paved the way to a new theoretical apparatus that brings the notion of autopoiesis into sociology, placing the people (the psychic systems) in the environment of social systems. Social systems according to Luhmann *are constituted from communications* (i.e. communicative actions), manifested by communications, and owe their coherence and continuation to the production of meaning. That is, psychic systems (persons) do not communicate to each other directly (as if their nervous systems were interacting directly), but through the social system; and doing so they reproduce it. Every communicative action is inherently social and communication is a *sine qua non* for society: there cannot be any communication outside the social system (Luhmann, 1986; 1995).

Therefore, were we to rewrite the original definition of autopoiesis in a Luhmannian way, it would read like this: *An autopoietic social system is a system organized (defined as a unity) as a network of processes of production (transformation and destruction) of communicative actions that produces the communicative actions which: (i) through their interactions and transformations continuously regenerate and realize the network of processes (relations) that produced them; and (ii) constitute it (the system) as a concrete unity in the space in which they (communicative actions) are manifested by specifying the conceptual domain of its realization as such a network*.

In order to realize the incorporation of the autopoietic theory into sociology, one has to conceive the communicative action as a meaningful *event*, and examine it as such. For Luhmann, meaning is an evolutionary achievement due to the interaction between psychic (personal) and social systems: "*Psychic and social systems have evolved together. At any time, the one kind of system is the necessary environment of the other. This necessity is grounded on the evolution that makes these kinds of systems possible. Persons cannot emerge and continue to exist without social systems, nor can social systems without persons. This co-evolution has led to a common achievement, employed by psychic as well as social systems. Both kinds of systems are ordered according to it,*

¹¹ Emphasis placed by the authors.

and for both it is binding as the indispensable, undeniable form of their complexity and self-reference. We call this evolutionary achievement 'meaning'." (Luhmann, 1995: 59).

Meaning and media

So meaning offers the ground upon which both social and psychic systems emerge. This assumption however, does not imply "intersubjectivity" except in a very limited way; on the contrary, every system retains its autonomy by means of a basic, ever present negation: "I am not you". So, the environment is necessary for the system, in order for it (the system) to define which its next ontogenesis will be; the environment must remain always "the other" and moreover it has to *be* "other" – otherwise the system cannot define itself. This way, the autopoietic system reconstructs itself and redefines its boundaries in an endless cycle that concurrently also reconstructs its environment: as the self-referential system changes in order to remain the same (i.e. to retain its coherence and identity) the other self-referential systems in its environment employ the same autopoietic process. This situation is not exceptional for systems of that kind: they continuously exchange their being for a perceptual process of becoming. And, when it comes to social systems, the whole autopoietic process is triggered solely by communication and manifested only by communication.

That is, every self-referential system operates constantly on the basis of the self-descriptions it constructs; it describes itself in correlation to its environment, in an endless loop that continuously reconstructs it as the outcome of a self-reference that is triggered by hetero-reference. Put in a different manner, the social system "finds its way" through time due to its relations to its environment – as long as it continues to exist.

In the modern society theorized by Niklas Luhmann as a whole consisting of functionally differentiated systems, a special place is reserved for the *mass media*. The mass media is a specialized system which accomplishes the description of the society as a whole. "*Whatever we know about our society or indeed about the world in which we live we know through the mass media*" (Luhmann, 2007:1). When the other social systems need information about the case, they turn to the mass media as the privileged observer that can return a more or less accurate "report" of the descriptions the society itself should adopt for itself. For instance, "there are financial problems", or "criminality is reaching new heights", or even "science offers new hopes" etc. From a theoretical point of view, it is irrelevant if those descriptions are "correct" or not. As far as the mass media insists that the case is such and such, a "truth" is constructed and finds its way into the self-description of every social subsystem. Those descriptions are the most important operation living systems perform. In fact, everything said is a description. When - for instance - one talks about oneself, he/she operates as an observer of himself/herself in relation to a presupposed environment; systems, either psychic or social, circularly construct descriptions of themselves; even when they describe their environment, in fact they describe their own conception of their environment. But we need to keep in mind, that, although social systems are autonomous, they are at the same time interdependent. That is, the operation of the construction of descriptions takes into account the systems' environment as an ever-changing pool of events. Although the events cannot determine their meaning for each observing system, they are still the only ground upon which each observing (i.e. living) system can reconstruct its unique identity. Therefore, although in contemporary society everyone understands that the mass media cannot be fully trusted (Luhmann, 2007:1), still, one cannot underestimate their importance with respect to the operation of social self-description.

Until the proliferation of the Information and Communication Technology (ICT) networks, communication was bound by spatial and economic characteristics. It was not realistic to initiate and maintain a discussion (i.e. an exchange of descriptions) in real time, engaging numerous participants around the globe. Would an earthquake hit for

instance Venezuela, the people in Russia would “hear the news” with the intermediation of the mass media; in fact, through a long chain of mass media starting from Caracas and ending up at Moscow. This means that “the news” would have been filtered through the various mass media services and the international news agencies until they reached the final “consumer”. It also means that all those nodes of the information network would have applied their own “coding” (i.e. their evaluation processes about what is “news” and what is not), and that that operation would be reflected (albeit implicitly, “hidden” so to speak) into the final “news report”.

The Internet has changed this situation drastically. Various platforms and services, such as YouTube.com, Facebook.com, Twitter, and the various versions of blogging platforms (e.g. blogspot.com, wordpress.com etc.), opened up wide a horizon of possibilities. Gradually, citizens started to realize the power of self-publishing their own views which cover virtually every aspect of human life. That is, descriptions constructed by independent citizens or social systems, disengaged from the nexus of the mass media and pushed their way through the ICT networks to society. Of course, the mass media followed the same course, i.e. they enforced their presence on the Internet, albeit as a supplement of their typical day to day operations. But within the networked society (Castells, 1996), the penetration of the mass media is not as deep as through - say - television. Furthermore, certain journalists seem to try to surpass the rules set forth by mass media enterprises and use blogging or tweeting as a means of contacting the citizens directly, a kind of “unsolicited reports”.

The concept of “solidarity” as a key meaning of the description of Lesvian society

Today the picture of Lesvos as the “island of solidarity” seems indisputable, as it has been projected repeatedly by the mass media all over the world. The confirmation of the award of this honorary “distinction” endorsed formally by the joint visit of the Pope and the Patriarch in Lesvos, accompanied by the Archbishop of Athens and the Greek Prime Minister, on the 16th of April 2016. Before and after these honorary visitors, a lot of other “distinctive” personalities of the worldwide star system like the famous actress Angelina Jolie or the Queen of Jordan Rania, preceded or followed, or will probably follow in the future. But the question still remains: how was this “label” for Lesvos constructed, through which procedures up to which point does it represent a “self-description” of the Lesvian society? To answer these questions, we approach the process of the construction of the key meaning of “solidarity” through comparative readings of the local Press (represented mainly by the newspaper “Embros”, which has the largest circulation in Lesvos), of some of the uploads or announcements of local volunteers of the “Village of All Together”, or some other associations of volunteers who (more or less) acted in cooperation with the “Village of All Together” in the context of the refugee flow. Some examples follow:

An anonymous volunteer involved in the task of the relief of refugees describes in an E-mail the sufferings of the refugees *after* their arrival in Lesvos: “*Last Wednesday (03/06/2015) we started early in the morning (at 7.00 am) from Mytilene. Approaching Mantamados (northeast of Lesvos), about 7:30 - 8:00 a.m., we started to see the first refugee/immigrant groups ascending from Skala Sikamniyas where they had landed, walking towards Mytilene, where they had to surrender to the police (or perhaps to the port-police - I don’t know) to be transferred to the Moria registration center and obtain a temporary residence permit in Greece, in order to continue their journey to Athens. The picture is beyond any imagination: women - many of which were accompanied by small children - climbing the hills of the area, older people trembling under the burning sun, minors and youngsters slumped on the road exhausted, while everyone was begging to be arrested immediately and be transferred to the Moria registration center... (But) the lack*

of coordination of state and local authorities obliges them to walk 50 kilometers to be typically arrested in the port of Mytilene”.

The local press was not particularly concerned with the aspect of refugees' sufferings, but the local television channel and independent cameramen recorded several scenes; some were presented via local television reports or were made available and enriching the news on nationwide channels. Broadly speaking the relevant reports focused on the risks created for passing drivers and were interspersed with “spectacular” images, showing refugees carrying small children by dragging them inside trash bins. But an intervention of the “Village of All Together” sent a different message. On Sunday 14/06/2015, the volunteers organized a “solidarity caravan” with the participation of more than 100 cars and multiple volunteers. The “solidarity caravan” collected refugees walking from Molyvos and Skala Sykamnias and transported them to the reception center of Kara-Tepe. The police adopted a “neutral” attitude, and watched the motorcade making no arrests, especially since G. Zerdelis, an (then) MP of SYRIZA (Coalition of the Radical Left), which had meanwhile risen to power, participated in the final stage of the motorcade. The relevant law changed immediately afterwards, allowing the transfer of refugees by volunteers, under the condition that their actions would be reported to the police. This does not mean that the police withdrew from repressive actions: the following weekend (4-5 July 2015) the police and the port-police arrested two volunteers who transported refugees to state and local hosting structures. These volunteers were acquitted on all charges. In this case the newspaper “Embros” (07/07/2015) clearly expressed its disapproval of the police practices. The relevant article presented a main title declaring that “Volunteers are persecuted for humanitarian actions...”, but the subtitle reiterated the problems arising from the amassment of thousands of people in Kara-Tepe; an issue that was the preferable topic of some of the articles published in the newspaper the days that followed.

To begin with we present reportage in “Embros” on the 3rd July 2015. Both the main title “The Guadanamo of Kara-Tepe”, and the subtitle referring to “a boiling cauldron due to the residence of thousands of immigrants”, prefigure the content. At the beginning the journalist underlines the fact that “the number of residents living there is unknown”, and goes on with a description of the “appalling sanitary conditions, (despite) the best efforts of the workers of the local Municipality”. Then he describes scenes of people lying on the main road which implied that their “safety, but also the safety of bystanders” is threatened, and ends up with a reference to the conflicts between different ethnicities with “dozens” wounded on daily basis. What is missing from this reportage is any reference to the actions of the volunteers of the “Village of All Together” and other associations or organizations of volunteers which distributed food and clothes and tried to pacify spirits and address the most urgent cases who had health problems by transporting patients to the local hospital. Similar reports continued until the end of July 2015, strengthening a climate of insecurity and uncertainty among local inhabitants of Lesbos, with regard to the refugee flow. In August 2015 these reports started to decrease but they soon “returned” with a feature story on the 5th of September, which denounces the “unforeseen amateurism of incompetent and ‘irresponsible’ authorities who emptied the harbour and filled the city”, referring to a period when the recording of refugees had stopped due to the lack of sufficient staff, the result being that refugees were pitching up their tents in the city parks. This kind of critique continued until the end of September.

All this period the local inhabitants of Lesbos reacted with ambivalent feelings to the rumble of communicative events and their personal unprecedented experiences were activated by the refugee flow. Some offered everything they could to refugees, many abstained from any action in a positive or negative way, a minority was opposed to the refugee flow, asking for more repressive measures to control the flow and for specific restrictions regarding the accommodation of refugees, whereas some entrepreneurs, especially those operating in the sectors of catering and housing benefited financially from the situation. This ambivalent treatment of refugee flows and the (supposed)

appropriate way of dealing with it is also reflected in the attitude of Municipal authorities, which periodically revived the demand for the abolition of the independent PIKPA structure hosting refugees, from the summer of 2015 until now (May of 2016). In the interim period there were (more or less) unsuccessful attempts by members of the extreme right-wing party of "Golden Dawn" to hold rallies of fans protesting against the "refugee problem", as well as a growing criticism about the "deregulated" action of various NGOs which were activated on the island (mainly) from August 2015.

A characteristic example is a short reference of "Embros" on the 5th of December 2015, describing a brawl involving a photojournalist and members of the NGO "Lifeguard Hellas". According to the story, the photojournalist tried to take photos of some women changing their wet clothes immediately after their arrival in Lesbos and some of the members of this NGO intervened to stop him.

Another aspect of the conflicting views about the refugee flow can also be spotted in the (fictitious, as undoubtedly proved today) reports about refugees desecrating Christian temples, which were part of the stories that monopolized the media pages during that period. Various "misunderstandings" or deliberate disinformation efforts were also recorded at the time. For example, on the 10th of June 2015, the organization "Welcome 2 Europe" (Welcome to Europe or W2Eu) was obliged to post an announcement to denounce "untrue information" published in the local news site "Lesvosnews.gr". As the W2Eu point out, they had issued some booklets in different languages informing incoming refugees about their legal status and their rights, which were distributed by members of W2Eu at various arrival points or concentration areas for refugees. This action was presented in an article in "Lesvosnews.gr" as "an action of Turkish traffickers". W2Eu point out in their announcement that *"...the article shows once again how reality is distorted arbitrarily. Seen benevolently one could say that we are dealing with a highly unprofessional author. But in reality it is a right-wing - if not a fascist - attempt by local media to criminalize solidarity and the right to asylum...through the booklet refugees and immigrants receive some basic information about their situation (e.g. they are informed on the documents received on the reservation concerning family reunification procedures, or about simple things like the ship ticket cost for someone travelling to Athens)..."*

According to these (and other) reports, local inhabitants and local volunteers (and members of Greek and International NGOs having flocked to Lesbos after the end of July 2015), seem to follow a rather distinct path of action. For example, an internal report of the "Village of All Together" on 29/08/2015 does not refer to any of the problems arising from the presence of the refugees in the city of Mytilene, but to an entirely different story, relevant to the miraculous salvation of a woman who was initially considered lost, but managed to survive from a boat-wreck and to unify herself with her family. It starts like this: *"9/8 Yesterday morning we heard that there is an ongoing rescue operation in New Kydonies (an area in north-eastern Lesbos). A woman was missing. For us this news is usually nightmarish news, concerning tragic death that animates all shipwrecks traumatic memories we have experienced. Despite difficult weather conditions two boats have arrived in Lesbos. Trafficking networks and the need of those people to flee were not stopped by the waves. In the boat there was a little girl 5 years old. Her mother was among the people missing. The child was taken to PIKPA, where 150 people were already being hosted. All beds were full with families, but as soon as they heard the incident they took care to settle the child and her uncle in their beds. The child knew that her mother was missing. She had heard her shouting her name and then she was not heard again. The shocked survivors talked about their boat being capsized just off the Gulf of Ayvalık. Late in the afternoon we received the first piece of unconfirmed information. A woman was walking alone in Xambelia region (in the north-eastern part of Lesbos) and she was transferred to the hospital Mytilene. She told us that a force pushed her to wrestle with the waves for 18 hours, as she didn't know how to swim and she was afraid of the sea. When she finally reached the shore she saw an orange life jacket like the one she had put*

on her child and started crying. But she found the courage to walk towards some houses she had spotted. When she met her daughter again she felt ineffable joy."

This divergence of interests, objectives, particular strategies and tactics defining differences among the "Village of All Together", foreign and local volunteers, municipal and state authorities and the local society, seems to have deteriorated, at least temporarily, under the burden of the increased refugee flow after September 2015. Different ideological and practical approaches of the "refugee problem" seem to recede in favour a common response strategy towards the refugee flow. A key communicative act which symbolizes this "melting pot" was definitely the photo shot by L. Partsalis in the beginning of October 2015, depicting three grannies in the village Skala Sykamnias, who take care of the baby of a refugee woman who had just landed on the coast. From that point onwards the concept of Lesbos as the "island of solidarity" was ideologically enhanced by the majority of the local population and local authorities, and also by a worldwide audience, and was substantiated and translated into a series of actions for refugees decisively motivated both by the municipality authorities, and by a significant part of the local population. It is not by accident for example that the first photos of local families hosting refugees or refugee families in their homes were introduced in the social media (Fb or other) on this occasion. This does not mean that diversities of the past were eliminated; on the contrary, they continued to exist and they were defined - and are still defined - as certain options adopted with regard to the "refugee problem" and in accordance with diverse choices challenging the local society nexus. But the main focus seems indisputable from now on: Lesbos has acquired the status of the "island of solidarity" and it seems that local people, authorities and volunteers are willing to keep on and to respond to this "label" from now on.

Epilogue: An accomplished society lacking in totality?

No matter how deeply we managed to approach the theoretic conjunction between the Luhmannian "intersubjectivity" and "objectivity" (e.g. whether the existence of the social "environment" is independent of our view about the world as a whole, etc.), the new form of society as a series of communicational actions has become one of the most significant phenomena in social History.

However, if we examine Modern History of the past two centuries and secure its continuity, in which position is this new type of "organized society" to be placed? The Hegelian Greek philosopher Kostas Papaioannou offers a definition of the "organized society" and its historic destiny to collapse due to the uprising of the masses. According to this claim, the historical presence of "organization" for society is always a prerevolutionary state, whereas society "recognizes" itself as the final symbol of timeless stability (Papaioannou, 2003: 41, 170). Obviously, the whole discussion about the contemporary "self-description" of society - perhaps a new kind of worldview - matches with the second part of Papaioannou's definition. In other words, trying to argue theoretically about the power of new media as the direct way to new forms of "organization", sociologists do nothing more than defending the non-temporary character of the "communicative" phenomenon from the threats of History. To put it in the reverse way, if the outbreak of communication in social media is just a short, temporary condition, then the rules one tries to extract from that are useless. Yet, if we finally agreed with the ultimate part of Papaioannou's definition, the refugee matter as a crisis in the context of global capitalism obliges us to take the "prerevolutionary" character of the current social context into account.

Through the previous analysis, we approach the real facts that formed the Lesbians' "self-description" as inhabitants of the island of "solidarity", not only via the "liberal" character of social media but also via the "official" descriptions of global state mechanisms. "Solidarity" once again has become "fashionable", perhaps for the first time

to this extent after the Second World War. The Greek society, suffering for long due to the austerity commands of the European Union - unsuccessfully rejected by the referendum of June 2015 - gained the ethical justification, that is prior to its “self-description”, owing to the “solidarity” it showed; the whole planet accepted this part of the Greek identity. From this point of view, the fundamental element of “self-description” for society - i.e. the recognition from others - has been accomplished. Yet, although Greek solidarity serves as an example of “the brotherhood of mankind”, war still remains in our neighborhood and refugees insist on knocking on our doors. Then the question is transformed philosophically: why is our solidarity inadequate, when attempting to influence the global *status quo* or change the worldview of mankind? Perhaps it is too soon to conclude whether something of the kind will be possible in the near future, but recent developments regarding the ongoing crisis are not promising: the war has not ended and Greece has once again been forced to go into deeper austerity. It seems that the accomplishing of the Greek society (especially in Lesbos) on the basis of solidarity is something lacking from wider areas (i.e. geographical, ethnic, and social).

As we claimed at the beginning of the paper, the concept of solidarity has inherited the values of a great Revolution; for some Historians, modern times start from the French Revolution. We also referred to the “prerevolutionary” nature of any “organized society”, especially when it faces an economic crisis, as defined by classic Marxism. The problem is that, according to the postmodern condition,¹² “totality” - in this case, the great transformation of society - has been broken into several “pieces” (for example, ecology, the gender issue, etc.). We argue that we do not have enough facts yet, in order to decide whether “solidarity” has become an aspect of the situationists’ “spectacle”, namely whether real experience of “the brotherhood of mankind” has come to be another “representation” through the ideological influence of the mass media. After all, the fight between mass and social media is still going on. On the other hand, connection between “solidarity” and “totality” has been lost in postmodern times, since in the battle of ideas the “whole” is comprehended as an aggregation of the part; the transformation of society is confronted as an “ethical” deepening of the rights, not as a system which must be replaced. If society can be considered “accomplished” with the aid of the “solidarity” praxis that became a major “self-description”, perhaps a “self-representation” too, then what happens with the “myth” of transforming the economic relations underneath?

When Papaioannou introduces his ideas about “organized society” as an intermediate step before the overthrow of the social system, he probably has in mind the perspectives of George Sorel’s argument about the “myth of the mass”. According to the latter, the idea of society change matures at first in the consciousness as a “myth”, a positive utopia which waits for History to allow its realization (Portis 1980). We now know that 21st century capitalism has turned the “myth” into a “virtual reality”: the deeper social media spread across society - at least up to now - the harder it becomes for social resistance to grow.

However, we are still away from “totality”, and from being conscious of the new world to be. “Solidarity” in Lesbos proved to be a contemporary, and adequate answer against social “Darwinism” that neoliberalism is trying to enforce on the peoples. The concept of “solidarity”, as a “self-description” of society, managed to gain the position of a worldview; however, it is still threatened of being disintegrated under the influence of the “spectacle” which is a powerful weapon of the economic forces governing the world. Let us hope that social media will not become a part of this ideological mechanism. But even if it does however, argumentation will still be open to research and deeper analysis.

¹² On the “other-directed” type of human being in “modern” society, see also: Riesman, 2001: 24-30.

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FINANCIAL CRISIS AND GREEK IMMIGRATION POLICY

Fani Dimitrakopoulou, Antonis Kontis

ABSTRACT

It is well established in the literature that financial crises are related to an intensification of racism, xenophobia and discrimination. In times of economic turmoil, when there is an increase in the unemployment rate of the general population, widespread is the notion that immigrants are competitors for scarce jobs, a burden to the welfare system, a potential threat to the safety of the citizens and a problem to the society in general, because of their reluctance to integrate. Furthermore it is argued that these anti-immigrant sentiments, which are quickly increased and spread among the public, may be caused or reinforced by politicians not only of the extreme right but also of mainstream parties who actually use this kind of rhetoric. Due to this situation, in times of economic turmoil countries tend to respond reactively by adopting more restrictive immigration policies, as an open policy is considered to function as a magnet that will increase immigration inflows. The purpose of this paper is to deepen the understanding of the immigration policy of Greece, which has recently introduced legislation that indicates a significant change to the previous dominant approach to immigration. It is shown that, despite the recession and the consequent rise of anti-immigrant attitudes, there was a paradigm shift of the Greek immigration policy towards a less restrictive and more inclusive direction.

Key Words

xenophobia, immigration policy, traditional paradigm, reformative / modernizing paradigm

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I. INTRODUCTION

The collapse of the Iron Curtain in the late 1980's led to an upsurge of immigration to the Greek territory, which continued during the years that followed. Throughout these years and up to today flows may have changed character and origin but they kept increasing. Under these circumstances Greece was forced to introduce a legislative framework for the management of immigration and the integration of immigrants.

The financial crisis in Greece created an economic and social storm as it resulted to the loss of many jobs both by immigrants and nationals. As history has proved, in such times countries tend to reactively introduce all the more restrictive immigration policies that *“would not only affect the entry avenues but also the integration paths for immigrants”* (Finotelli C. 2014, p. 2). The paper aims to elaborate on the evolution of the Greek immigration policy and the changes introduced in that area in the context of the crisis. The first section is a brief overview of the literature regarding the evolution of immigration policies in times of austerity. The section that follows includes an analysis of the Greek political discourse and the public opinion on the subject. A presentation of the Greek immigration policy in the fields of residence permits, citizenship and asylum as well as a comparison of these policies before and after the crisis will follow. The final objective is to determine if the economic crisis has impaired the immigration policy in Greece by triggering a restrictive turn.

II. ECONOMIC CRISIS AND ANTI-IMMIGRANT ATTITUDES

Immigration has always been a matter of social and political interest, as it is traditionally perceived as a threat to national identity and as a factor that increases crime and the sense of insecurity. That is particularly the case in countries like Greece, which used to be racially and religiously homogenous, with no previous immigration experience. Under circumstances of severe economic turmoil, the public interest towards immigration is even more intense, as there is a competition for scarce jobs and social provisions.

According to the group conflict theory, the root of anti-immigration sentiments lies in the economy. Specifically, in cases that there is a perceived competition between two groups of individuals –for example between nationals and immigrants- for scarce goods, negative attitudes towards the perceived “rival” are possible to emerge (Billiet J et al, 2014; Jackson J.W., 1993). The scarce goods that fuel that kind of rivalry are mainly of economic character, as they might be well-paid and secure jobs, social benefits, health assistance etc (Barbero I, 2015, 246; Billiet J et al, 2014, p. 137)¹. The cultural differentness of immigrants comparing to the native population and their visible distinctiveness make them an easy target for scapegoating, a group that is spotted and categorized as the “others”, the “competitors”.

The negative perception of immigrants is detected in an individual as well as in a collective level. In the first case, immigrants are considered as a threat by those with similar characteristics and profile, who they feel more vulnerable to competition (Mayda A.M, 2006; O’ Rourke K.H and Sinnott R, 2006; Dustmann C and Preston I, 2004). At the same time, anti-immigration sentiments might not be related to a perceived posed threat to individuals but to the group. As Billiet J. et al (2014, p. 138) put it *“The trigger for hostility toward immigrants is the threat to the group’s resources or status, rather than to those of individuals”*.

A switch to the attitudes towards immigrants is becoming more and more prevalent in the European countries facing an economic downturn. The presence of immigrants in a country has always raised concerns about the fragmentation of the society, the loss of identity and, after the 9/11 attacks, about security. The economic crisis brought the matter in the spotlight in a more intense way, fuelled the public discourse and reinforced the political backlash. As the goods that constitute the object of competition become even scarcer in times of a financial crisis, the hostility towards immigrants is increasing and spreading quickly among the public. Immigrants are additionally perceived as competitors for jobs and as a burden to the welfare system.

As a result, the support to parties of the radical right, which have been traditionally using an inflammatory anti-immigration rhetoric, is strengthened. At the same time

¹ I. Barbero (2015, p. 246) uses the term “social-structural racism” to describe the situation *“where subjects and groups struggle for the scarce goods (labor, social benefits, health assistance) on the basis of national/cultural difference”*

mainstream parties across the whole Europe have started to adopt a more negative stance towards immigration, even though in a more moderate way comparing to those belonging to the extreme right. As M. Lesińska (2014, p. 39) points out *“political leaders in many European countries started to claim that immigrants abuse welfare, pose additional burden to heavily indebted governments, pose threats to social and political order [...] these critical statements have entered mainstream political discourse”*. Therefore, the social, economic and political crisis in the European countries and the emergence of more powerful anti-immigration sentiments across the public, led to a shift of the mainstream parties rhetoric which, in turn, reinforced these sentiments even more. Under this context, more restrictive and less tolerant policies that aim to limit immigration are introduced (Lesinska M, 2014).

One question emerges inevitably: Is that the case in Greece, where the outburst of the crisis and its devastating effect to the labor market resulted to an unprecedented increase in the unemployment rate of the whole population?

Of course, immigration issues had always been of particular interest in Greece, which until the 1990s was extremely homogenous, as people had the same nationality, the same religion, the same language, the same culture. In the context of the crisis, the suspiciousness of Greek people towards immigrants was reinforced. The sluggish economic conditions coincided with an increasing hostility towards immigrants. According to M. Baldwin-Edwards (2014, p. 11) *“after the mass immigration of the 1990s, racism and racial violence had already emerged by the early 2000s as a small but serious problem [...] With the onset of the economic crisis, xenophobia and racial violence escalated substantially*. Even the EU Home Affairs Commissioner Cecilia Malmström connected the racism against immigrants to the economic crisis (Imerisia, 2013).

III. THE STANCE OF POLITICAL PARTIES AND PUBLIC OPINION TOWARDS MIGRATION

From the years that followed the consolidation of democracy in Greece until recently, the political scenery was dominated by two political parties, the centre-left PASOK

(Panhellenic Socialist Movement) and the centre-right New Democracy (ND). The acute economic crisis and the consequent discontent of citizens over the recession and the austerity measures brought out new political forces and changed the political equilibrium. Since 2012 one-party governments are no longer the rule as they were substituted by coalitions of, sometimes incompatible, partners.

At the same time, in the midst of a socio-political turmoil, immigration became a highly politicized issue, addressed in the public discourse by all the political parties.

Antonis Samaras, the president of the mainstream party ND and the Prime Minister of Greece from June 2012 until January 2015 introduced an anti-immigrant stance since 2010, which continued during his election campaigns as well as throughout his term. Specifically, as E. Tampakoglou notices (2014, p. 116-118), in his May 6 and June 17 pre-election campaigns Mr. Samaras used the term “smuggled migrants” (the Greek term is ‘lathrometanastes’, a novel word that describes in a dismissive way the immigrants who enter the country illegally), he called the immigrants “tyrants” of the Greek society, he associated immigration to recession and youth unemployment and he committed to abolish the citizenship law that facilitated the acquisition of citizenship for particular categories of immigrants as it “*would make Greece a pole of attraction by illegal immigrants*” (Tampakoglou E, 2014, p. 118) . In October 2013 Mr Samaras connected immigration to unemployment, by stating that “*there are as many unemployed people in Greece as there are illegal immigrants*” (The Press Project, 2013), a phrase that reminded a slogan used in 1978 by the far-right French party National Front. Furthermore, regarding the change of the citizenship law towards a more inclusive direction, ND had formed objections. It is quite indicative the statement of the spokesman of the party Mr Karagounis in May 2015 that “*whatever the government plans to legislate in the field of citizenship constitute an open invitation to ‘lathrometanastes’ to enroll their child in the first grade and automatically obtain a residence permit for themselves and their families. It is the worst thing to do for Greece and for the social cohesion, while hundreds of thousands of ‘lathrometanastes’ are waiting to pass the Greek borders*” (Tovima 2015)

Furthermore, AN.EL. (Independent Greeks), a conservative party currently participating to a coalition government with SYRIZA (Coalition of the Radical Left)

under the leadership of Panayotis Kammenos, has also an anti-immigrant rhetoric. The party strongly opposed the 2010 law on citizenship and submitted a bill regarding the acquisition of citizenship, which reflected the party's formal position on the matter. The bill emphasized the importance of the nation, which is constituted by people of Greek origin with national consciousness, and accused the citizenship law to be causing an uncontrollable influx of 'lathrometenastes'. The leader of the party has also characterized immigrants as a problem for the country and declared his opposition to the acquisition of citizenship by the second generation (Kathimerini, 2015). Consistently to this position, the party's Members of the Parliament voted against the amendment of citizenship law introduced in 2015.

In the meantime the extreme-right party Golden Dawn had already increased its popularity, as its xenophobic and anti-immigrant discourse appealed to the Greek society, and had a remarkable electoral success at the elections of May and June 2012, when it entered the Greek parliament for the first time.

This type of rhetoric was sometimes adopted by members of parties with traditionally pro-immigrant attitude. For example, Michalis Chrysochoides, the former Minister of Citizen Protection and member of PASOK, after initiating a sweep-operation of the Greek Police in order to remove illegal immigrants from the country, stated that *"we need to disarm the bomb of immigration and solve the problem immediately. We need to take all necessary measures to ensure that Greece will not be that country that anyone can enter and commit crimes"* (Ethnos 2012).

This negative attitude to immigration is shared by a large part of Greek society as anti-immigration sentiments become more and more prevalent. In Greece of the crisis, xenophobic attacks became more frequent and the extreme right party of Golden Dawn, until recently marginalized, gained support and even managed to enter the Greek Parliament. According to a research, Greeks consider immigrants as a burden to the country as they take jobs and consume social benefits (70%), they link immigration to criminality (51%) and they want fewer immigrants to enter the country (86%) (Pew Research Center 2014, p. 26-29).

III. THE GREEK IMMIGRATION POLICY

What is immigration policy

Before we embark on a review of the Greek immigration policy, it is important to clarify the meaning of the term. Immigration policy includes the “*laws, rules, measures, and practices implemented by national states with the stated objective to influence the volume, origin and internal composition of immigration flows*” (Czaika M and de Haas H. 2011, p. 5). Therefore, immigration policy is constituted by more than one diverse and distinct policy components. According to the distinction made by T. Hammar (1985), there is a difference between “immigration control” and “immigrant policy”; the former refers to the measures that regulate the entry and stay of immigrants while the second one is concerned with the integration of the already settled migrants into the host society. For the purposes of this paper, the laws regarding the legal stay and the access to citizenship will be examined thoroughly. Furthermore, in order to provide a more complete image regarding the reform of the Greek immigration policy as a whole, a short reference to the Greek asylum policy will be made. However, policies that are not designed to affect immigration and immigrants, but only have an incidental effect on them, are out of the scope of this study.

The Greek policy regulating legal immigration before the crisis

During the 20th century, Greece was a traditional country of emigration. In the 1970s there were some first immigrant inflows to Greece. In the late 1980s and in the beginning of the 1990s, the end of the Cold War and the socio-political changes in the neighboring countries of the Balkan Peninsula and Eastern Europe led to an unprecedented and unexpected increase of the migratory influx in Greece. Until that period, Greece did not have a legal framework to manage immigration to its territory². Therefore, the

² The legislation regulating immigration at the time was a law voted in 1929 (Law 4310/1929) aiming at regulating the arrival of refugees from Asia Minor.

circumstances called for the adoption of a policy with a view to regulate the entrance and accommodation of immigrants in Greece.

The first law attempting to regulate such matters was the L.1975/1991, which reflected the dominant perception of immigration in Greece as a *“historical accident”* (Pavlou M, 2009, p. 42) of temporary character³. The Law was extremely restrictive, aiming at:

- i. the impediment of immigration, by making the legal entrance and settlement of foreigners in Greece nearly impossible as well as by intensifying the border controls and
- ii. the removal of the undocumented immigrants residing in the country.

The way immigration was understood by the political authorities at the time is colorfully illustrated at the explanatory report to the law (1991), where is stated that *“All of a sudden, the Greek territory is overrun by foreigners who, by entering, residing and working illegally, create enormous social problems to the State, while inevitably trying to resolve their one problems by resorting to crime (drugs, robberies, thefts etc)”*

According to A. Kontis (2016) this type of legislation is indicative of the *“traditional paradigm”* of immigration policy. According to this paradigm, the main goal of immigration policy is the protection of the national identity as well as the homogeneity of the nation, factors that actually shape the content of the policy. This perspective also leads to a skeptical stance regarding any positive effect of immigration to the host country. Therefore, strict controls for those entering the territory and limited access to rights for the legally residing immigrants are in order.

However, as the number of the undocumented immigrants was growing, despite the strict framework, a first regularization program was introduced in 1997 and implemented in 1998⁴, but its results were poor and the number of immigrants who acquired a residence permit was lower than expected⁵.

³ The period from 1991 until 2001 is characterized by A. Triandafyllidou (2010, p. 98) as the *“premature”* period of Greek immigration policy. M. Pavlou (2009, p. 42) calls the period until 1997, when the first regularization program was introduced, as *“the period of illegality and refusal”* and the period between 1997 and 2000 as *“the period of temporary tolerance and fear of crime”*.

⁴ By the presidential decrees 358/1997 and 359/1997

⁵ To a large extent this was related to the systemic deficiencies of the Greek public administration, the lack of adequate and well-trained personnel and the insufficient planning.

In 2001 another law for the management of immigration was put into effect. The law 2910/2001⁶ suggested a more realistic approach to immigration as immigrants were no longer unwanted, as long as they served the workforce needs of the Greek economy (Triandafyllidou A. 2010, p. 106). Even though there were provisions for the issue of work and residence permits, the long-term planning for the integration of immigrants residing legally to the country was missing. The most significant change this law introduced, which indicated a minor shift from the traditional paradigm, was the transfer of the responsibilities regarding the management of legal immigration from the Police authorities to the Ministry of Interior and to the local authorities. The law also laid down a second regularization program, which also did not have the anticipated outcomes.

Only a few years later the Law 3386/2005⁷ was voted, with a view to “*rationalizing the country’s immigration policy, simplifying the procedures and fighting red tape, as well as harmonizing the Greek legislation with the new EU Directives ...*” (Gropas R and Triandafyllidou A, 2009, p. 198). After 15 years of immigration experience during which the numerous immigrants living in Greece had developed ties with the country, the legal framework, by introducing an orientation towards integration, signified a greater deviation from the traditional paradigm. In this context, two EU Directives (for the long-term resident status⁸ and the family reunification⁹) were transposed into the Greek legal order. Unfortunately, these policies were not *«accompanied by serious public investment-expenditure and couldn’t meet their proclaimed objective goal: Integration»* (Pavlou M, 2009, p. 43). In general, despite the stated objectives of immigrant integration through the provision of rights and equal participation, the Law 3386/2005 did not actually manage to succeed these goals and differentiate substantially from the previous status. Furthermore, in the years 2005 and 2007 two more regularization programs were put into force.

⁶ According to A. Triandafyllidou (2010, p. 98), this was the period of “*adulthood*” for the Greek immigration policy.

⁷ A. Triandafyllidou (2010, p. 98) characterizes this period as the period of “*maturity*” for the Greek immigration policy.

⁸ Council Directive 2003/109/EC of 25 November 2003 concerning the status of third-country nationals who are long-term residents

⁹ Council Directive 2003/86/EC of 22 September 2003 on the right to family reunification

Despite the better planning, once again the insufficient capacity of the Greek Public Administration hindered their implementation.

The changes to the policy regulating legal immigration after the crisis

In the midst of the economic crisis, Greece adopted the Law 4251/2014 (also known as “Code for Migration and Social Integration”) which codifies for the first time, in a single document, almost all the provisions related to the residence status of third country nationals.

This law was a novelty and signified a change for the Greek immigration policy. The aim of the law was to reform the previous legislation by providing an integrated framework for the management of immigration as well as by simplifying and accelerating the relevant procedures. According to the explanatory report to the law (2014), the new framework is based on four pillars:

1. Simplification of procedures, with a view to reducing the administrative costs and the workload of the competent authorities and providing better services to immigrants who, consequently, will have a better knowledge of the legal and administrative procedures. To that end:

- the duration of the initial residence permit was increased from one (1) to two (2) years,
- the duration of the residence permit renewal was increased from two (2) to three (3) years,
- the types of residence permits were decreased from fifty (50) to twenty (20) and
- the operation of the One-stop Shops for the facilitation of the issue and renewal of residence permits was reinforced.

2. Reform the access to labor market for immigrants and create an investment friendly environment. The relevant measures include:

- More favorable provisions regarding the residence permit for working. For example, the permit is renewed regardless of the existence of a work contract.

Furthermore, the immigrant has the right, upon renewal, to sign contract for execution of work or provision of services.

- Introduction of fast-track procedures for the issue of residence permits for third country nationals who want to invest in Greece as well as for their families.

3. Promoting the long-term resident permit, that enhances integration by providing expanded rights for immigrants and equal treatment with citizens in some areas of social and economic life.

4. Ensuring that second generation immigrants can stay in the country legally, even after they turn eighteen. For that reason, a special residence permit, called the “second-generation” permit, has been established.

What is more, a residence permit for exceptional reasons has been established, which gives the opportunity to immigrants residing in Greece for a long time and having ties with the country to legitimize their residency, in cases they have never managed to receive a residence permit or they did not meet the criteria to renew it. Under this provision, the possibility of some vulnerable groups being deported is averted.

This law signified the shift of the Greek immigration policy towards the “reformative / modernizing” paradigm (Kontis 2016). The proponents of this paradigm recognize the inevitability of migration and see it as an opportunity with positive contribution to the host country. This paradigm is based on the principles of liberty, justice and human rights and, consequently, emphasis is put on the promotion of the social and political rights of immigrants as well as on citizenship attribution, as a means to integration.

The Law 4251/2014 was voted by the coalition government of ND and PASOK, under the Prime Minister Antonis Samaras, the leader of ND.

The Greek Citizenship Law

The principle of *jus sanguinis* was predominant in the Greek legal order regarding the acquisition of citizenship by birth. For many years, children who were born and grew up in Greece could not obtain the Greek citizenship, unless at least one of their parents was Greek¹⁰. What is more, the terms and conditions for naturalization were difficult to be

¹⁰ either by birth or by naturalization

met (long residence requirements, high fees etc) and the procedure was not transparent and consistent with the rule of law, as authorities were not required to justify a negative decision or to decide on the applications within a specific period of time. Meanwhile, there was a statutory differential treatment for the foreigners of Greek origin, as their access to the Greek citizenship was facilitated.

A major shift in the Greek citizenship policy occurred in 2010, under the PASOK government, when the law 3838/2010¹¹, amending the Citizenship Code, was put into force. This law abandoned the nearly exclusive reliance on the *ius sanguinis* principle, as it introduced elements of *ius soli* and included provisions for the second-generation of immigrants. According to this law, children of foreign parents acquired the Greek citizenship:

- at birth, if one of his / hers parents was born in Greece and resided permanently in the country since then,
- by a declaration of their parents, if they were born in Greece and their parents were residing legally in the country for five consecutive years.
- by a declaration of their parents, if they successfully attended at least six grades of a Greek school and they resided legally and permanently in the country.

Furthermore, regarding the terms for naturalization, the law lowered the residence requirement from 10 to 7 years, as long as the foreigner had already received the long-term resident status, and abolished vague criteria that left important discretion to the Administration, such as “the moral quality and personality” of the applicant.

Most importantly, the law reformed the naturalization procedure, as it provided that the Public Administration has the obligation to respond and duly justify any negative response to a naturalization application as well as it set specific deadlines in which the competent authorities should act.

The law emphasized the importance of political identity as a decisive factor for the determination of citizenship. As it is referred in the explanatory report to the law (2010) “*without undermining the importance of the Greek descent for the formulation of the Greek people, this new perception links the citizenship and the consequent political participation rights to the acquisition of the Greek political identity or, as is also known,*

¹¹ also known as “Ragousis law” after the former Interior Minister Yiannis Ragousis

the formulation of a Greek political consciousness. Identity or consciousness that are not relied to blood, origin or to the acquisition of some national-religious characteristics but to the full and active participation to the social and economic life of the country, on the one hand, and the ability of full and active participation to the life of the Greek Democracy with respect to its principles, on the other”.

In general, the law signified a shift to the Greek citizenship policy towards a more liberal direction, consistent to the dominant paradigm of the other European countries and towards the ‘reformative / modernizing’ paradigm, as this was described above. With these provisions, the legislator seems to recognize and accept the reality of the permanent character of the presence of immigrants in the Greek territory and lays down measures that facilitate their integration and their personal and family planning.

However, in 2013, the Council of State¹², the Greek Highest Administrative Court, deemed some provisions of the law unconstitutional¹³ and ruled that the criteria for the granting of citizenship were not sufficient as each case should be examined individually to ensure a genuine bond with the country and the Greek society.

As the Council of State is not a Constitutional Court, its ruling did not abolish the law, which kept standing. Even though the winner of 2012 elections Antonis Samaras committed to repeal the law and the government spokesman Simos Kedikoglou announced that the law which grants citizenship and voting rights to second-generation immigrants, would be “*replaced with new legislation compatible with the decision of the Council of State*” (Ekathimerini 2012), the controversial provisions were not abolished, even though in many cases the Public Administration refused to implement them.

In 2015, the government of SYRIZA amended again the Citizenship Code, with a view to harmonizing its provisions with the aforementioned decision of the Council of State. According to the new law¹⁴, children of foreign nationals, who were born in Greece, will be entitled to acquire Greek citizenship if they are enrolled in the first grade and attend a Greek school in the year when the appropriate statement is submitted. Another requirement stipulates that one of the two parents should have legally resided in Greece for the last 5 years before the birth of the child.

¹² Decision No 460/2013 (plenary session)

¹³ regarding the granting of citizenship to the second generation, as described previously

¹⁴ Law 4332/2015

The law tries to overcome the situation created by the deemed unconstitutionality, while ensuring the integration goal for the second generation. According to the explanatory report to the law (2015) *“the new provisions do not attribute the Greek citizenship at birth but because of the birth at the critical time when the child is enrolled in the Greek school [...] when the child mostly needs for the first time to be included as a part of the Greek people.”* And the report continues *“the goal of the legislator is twofold: the first one is to ensure that the Greek citizenship will be acquired by persons whose living plan is foreseen, in a well-established and personalized manner, to be executed in Greece [...] The second one, of equal importance is to ensure that the acquisition of citizenship by the child will happen during childhood. This is an absolute priority...”*

The reform of the asylum system

As it was pointed out in a landmark Decision of the European Court of Human Rights¹⁵ as well as in another Decision of the Court of Justice of the European Union¹⁶, the Greek asylum system was characterized by deficiencies resulting to violations of the fundamental rights of the international protection applicants. As a result of these decisions, Greece was no longer considered as a safe country for the examination of asylum applications, as required by the Dublin Regulation and, consequently, Member States suspended the transfers of asylum seekers to Greece.

Since 2010 Greece has taken up a comprehensive reform of its asylum system¹⁷, with a view to conform to its obligations deriving from its participation to the European Union and its international commitments. The new legal framework was adopted in 2011, under the PASOK administration, with the Law 3907/2011. This law reformed the Greek asylum system by introducing: i. a new specialized body in charge of processing asylum applications at first instance, the Asylum Service, ii. a new Appeals' authority and iii. a

¹⁵ case M.S.S. versus Belgium and Greece [Court (Grand Chamber), 21/01/2011, Application No 30696/09],

¹⁶ Case N. S. (C-411/10) v Secretary of State for the Home Department and M. E. and Others (C-493/10) v Refugee Applications Commissioner and Minister for Justice, Equality and Law Reform [Judgment of the Court (Grand Chamber) of 21 December 2011]

¹⁷ Greece first introduced a national “Action Plan on Asylum and Migration Management”, submitted to the Commission in August 2010 and revised in January 2013. These action plans are not legally binding but they only provided the guidelines of the policies that should be adopted and implemented

body responsible to provide first reception services to third country nationals who are intercepted while crossing the border irregularly, the First Reception Service.¹⁸ The core change that the new law brought about was the transfer of the competencies related to the asylum procedure from the Police authorities to the aforementioned Services, which are staffed with civil personnel and have as sole responsibility the management of the asylum system. The recently introduced by the SYRIZA-ANEL administration law 4375/2016¹⁹ aims at enhancing the capacity and the effectiveness of the Services involved.

IV. CONCLUDING REMARKS

In times of economic turmoil and social unrest, governments tend to introduce more restrictive immigration policies. The rise of unemployment and its effect to the living and working conditions of the citizens intensifies the anti-immigrant and xenophobic attitudes. Due to their diversity, immigrants are an easy enemy to be targeted and blamed for, as those who ‘steal’ our jobs, burden the social system, commit crimes and cannot integrate. Far right parties gain support and even politicians from mainstream parties use anti-immigration rhetoric. Once the negative stance towards immigration is a common place in political discourse, hostility and suspiciousness towards immigrants is further reinforced among the society and the voices that call for a limitation to immigration are increased. This shift in opinion causes a shift in policies and legitimizes more restrictive legislation. That was the case in Spain, for example, which reacted in the crisis by introducing policies that made the access to the country difficult for workers as well as restricted integration (Finotelli C, 2014).

Since 2009 Greece has been going through a protracted and damaging economic crisis. The austerity measures that were adopted impeded growth and raised unemployment. According to what has just been mentioned, one would expect that Greece would introduce more restrictive policies on immigration.

¹⁸ The law also transposed into the Greek legislation the Directive 2008/115/EC ‘on common standards and procedures in Member States for returning illegally staying third country nationals’.

¹⁹ The law also transposed into the Greek legislation the Directive 2013/32/EU of the European Parliament and of the Council of 26 June 2013 on common procedures for granting and withdrawing international protection

However that was not the case. It is a fact that the stance of Greek society towards immigration has been hardened, far-right parties like Golden Dawn came up from anonymity and the rhetoric that portrays immigrants as a problem and a burden has gained ground and become mainstream in the political discourse. Even though there was a shift in legislation regarding residence status and citizenship since 2010, this did not become more restrictive. By comparison with the previous status, the new legislation lays down a more concrete framework, clarifies the procedures, restores the legitimacy of administrative action in accordance with the rule of law and facilitates the residence in Greece, the integration of immigrants and the acquisition of citizenship. Even the contested clauses for the acquisition of citizenship which were deemed unconstitutional by the Council of State were not abolished, while at the same time the other favorable provisions of the law were in force and implemented. The change in the Citizenship Code in 2015 overcame the deemed unconstitutionality but it did not signify a restrictive turn. Furthermore, a reform of the asylum system has been introduced since 2011.

Despite to what would be expected in a financial crisis context, in the last years there was a paradigm shift of the Greek immigration policy from the traditional to the reformative / modernizing. As A. Kontis (2016) points out *“Greece, with delays and setbacks, overcomes the hesitation and the reluctance and moves forward to adopt a modern conception for the immigration policy and the political nation”*. Of course, this does not mean that Greece has adopted a policy open to immigration. However, the new legislation is less restrictive comparing to the past.

But which are the reasons behind this unexpected shift in the Greek immigration policy? One possible explanation lies in the economic reasoning, as immigrants may become a driving force to boost the economy of the aging European countries. Furthermore, the emergence of left-wing parties like SYRIZA and DHM.AR. (Democratic Left) as mainstream political parties with alternative, pro-immigrant discourse may have also played a role to this direction. Future research may shed light on the driving forces behind the Greek immigration policy.

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The political and social implications of managing the refugee crisis: European and Greek responses

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Abstract:

With over 4 million people having been displaced by the conflict in Syria, this has been, in the words of the previous UN High Commissioner for Refugees Antonio Guterres, “*the biggest refugee population from a single conflict in a generation*”. At the same time, refugee numbers from African countries, such as Sudan and Libya, are rapidly increasing. Within 2015, European countries have been challenged by ever increasing numbers at their borders, and while some have accepted refugees in great numbers demonstrating a “welcome culture”; others have insisted on offering asylum only to Christian refugees.

Thus, after a year in which over one million refugees and migrants arrived on Europe’s shores, terrorist attacks that have brought again the “migration-security” nexus to prominence, and the Cologne attacks that have hardened attitudes towards migrants, refugees and asylum seekers, the refugee crisis is becoming increasingly polarizing in the domestic politics of the European states. In dealing with a crisis that may pose an existential threat to the future of the European Union, and with EC President Jean-Claude Juncker calling for an urgent “European approach” to migration, the overall European response has instead been characterized by confusion and a lack of a universal policy. This paper will elaborate and

discuss EU and national responses, while placing special emphasis on the Greek case, as the refugee crisis coincides with what seems like a perpetual economic crisis.

Keywords:

Refugee crisis, Common European Asylum System (CEAS), asylum seekers, Greece

Introduction

In order to fully understand the European and international framework for the protection of refugees, we need to go back to the late 1940s. After the end of the Second World War, there were over 30 million people in Europe that were displaced and in need of relief and relocation. The United Nations, responding to the circumstances, established in 1949 the United Nations High Commissioner for Refugees (UNHCR), and after two years, the Convention Relating to the Status of Refugees was signed in Geneva.

In the first article of the Convention, a refugee is defined as a person who *“owing to well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country; or who, not having a nationality and being outside the country of his former habitual residence as a result of such events, is unable or, owing to such fear, is unwilling to return to it”* (Article 1(A2)). The Convention also established the principle of *non-refoulement* (Article 33(1)), according to which *“No Contracting State shall expel or return ('refouler') a refugee in any manner whatsoever to the frontiers of territories where his life or freedom would be threatened on account of his race, religion, nationality, membership of a particular social group or political opinion”*. According to the Convention, States ought to establish the procedures to determine whether someone claiming asylum qualifies as a refugee. With the 1967 New York Protocol, the geographical and temporal limitations of the Convention (it originally applied only to persons displaced before 1951 and within Europe) were lifted.

In the first decades, the system that was established with the Convention functioned reasonably well and it received increasing support by the signatory countries. Hampshire (2013: 71) argues that the Western governments broadly supported the refugee protection

system, even though refugee crises occurred in both the 1970s¹ and in the 1980s², and attributes this support to two, interrelated reasons. According to the first reason, the asylum seekers that reached Western countries were small in numbers (as opposed to their majority that reached refuge in developing countries), and hence, easily managed. The second reason had to do with the ideological conflict of the Cold War, since an important number of refugees that reached Western countries is essence was “escaping” from communist regime countries. Hence, each of them was regarded as a victory in the propaganda battle of the Cold War. Consequently, Hampshire (2013: 71) argues that there was a match between the rights enshrined in the Convention with the Western countries norms and interests.

However, since the 1980s, this alignment was under increasing pressure from the ever increasing numbers of asylum seekers, and it utterly collapsed with the refugee crisis of the 1990s.

The European Framework

Until the early 1990s, asylum policy in European countries was developed and modified in an ad-hoc fashion, as a response to specific refugee crises (Schuster 2000:120). Furthermore, even though it is possible to identify common policy trends in the EU-15 countries throughout the 1990s, their actual formal cooperation was minimal (Hatton 2015: 612).

The collapse of the Soviet Union and the communist regimes of Central and East Europe, that led to a dramatic increase of asylum seekers in Western Europe, was the decisive factor that led European countries to develop what came to be called Common European Asylum System (CEAS) (Schuster 2003: 180). Most of those that applied for asylum at that period

¹ Among others, in Bangladesh, Vietnam and Cambodia

² Among others, in Afghanistan, the Horn of Africa and South America

originated from the South-East Europe, while their vast majority applied for asylum in Germany, which for the period 1991-1993 received 1 million asylum applications³. This development forced Germany to request for a more fair “burden distribution” among EU Member States (Schuster 2003: 180).

The immediate result of these events and of procedures that followed was the Dublin Convention in 1990. It was decided in Dublin that in order to avert “asylum shopping⁴”, the asylum application will only be examined by one state only, and more specifically, from the state of first entry (Hurwitz 1999: 649). Furthermore, in the ministerial meeting in London in 1992, consensus was reached on three further issues, the concept of “safe third country⁵”, the “manifestly unfounded⁶” asylum claims and the “safe countries of origin⁷” (Hatton 2005: 108).

At the same time, within the EU, a series of new policy measures required for a different level of coordination between Member States. The relaxation of internal border under the Schengen Convention (1990) and the Maastricht Treaty⁸ led to the strengthening of EU external borders, while gradually new measures appeared, like “carrier sanctions”, visa restrictions and special airport zones from which the right to enter asylum procedures is tightly circumscribed (Hatton 2005: 108).

In essence, European governments of the period, in order to protect themselves from what they perceived as a “rising tide of asylum seekers”, tried to “deflect” asylum seekers in other countries. As Noll (2000) eloquently remarked, this period could be described as the “common market of deflection”.

³ See tables in Schuster (2000: 122), Schuster (2003: 193)

⁴ Asylum shopping is the practice of asylum seekers to apply for asylum in a series of countries, until their application is deemed successful, or until they end up in the country they had initially chose to settle (usually the one with the best reception conditions)

⁵ This concept allowed member states to refuse to consider an asylum claim if the applicant had transited through a country deemed ‘safe’ where he or she could have sought asylum.

⁶ These claims could be summarily rejected without the right of appeal.

⁷ For these countries an expulsion decision may be issued, since it is estimated that there is no fear of the applicant's prosecution

During the 1990s, even though a degree of harmonization was developed, most of the recommendations made both at intergovernmental conferences and in the context of the EU Council of Ministers, were not binding for the Member States governments (Hatton 2005: 109). At the same time, as Noll aptly noted (2000), the harmonization process in essence triggered a "race to the bottom", where European countries on the one hand tightened their policies, especially from 1991 to 1995, on the other hand dramatically reduced the proportion of asylum-seekers which were recognized as refugees (Hatton 2005: 107). As a consequence, the proportion of asylum seekers who received some form of protection in the EU-15, decreased from 50% in 1985 to 30% a decade later (UNHCR 2001: 85).

The process for deeper harmonization between EU Member-States intensified with the entry into force of the Amsterdam Treaty in 1999. At the same time, the Tampere European Council (1999) set the basis for the creation of a Common European Asylum System (CEAS), which is based on the full implementation of the 1951 Treaty on Refugees (Schuster 2003: 114). The first phase of CEAS focused more on the harmonization of common policy elements. To this end, a series of Directives on the reception, temporary protection, family reunification procedures and conditions for the recognition of humanitarian status were adopted (Gerard 2014: 58). In addition, the updated Dublin Regulation (Dublin II), reformed the mechanism that determines which state is responsible for examining the asylum application, and linked the process to the EURODAC database. However, the aforementioned Directives set only the minimum standards and did not cover all aspects of the asylum process. Consequently, harmonization at that period could be described as partial and incomplete (Hatton 2015: 613).

At the same time, as a consequence of the 1999 Kosovo crisis, the first steps for a burden-sharing mechanism were made (Barutciski & Suhrke 2001: 95), which eventually led to the

⁸ In effect since 1993

establishment of the European Refugee Fund (ERF) in 2000. However, taking into account the original budget of the Fund and the amount corresponding to each Member State, the distributional impact of the ERF was characterized as a “drop in the ocean” (Noll 2003: 245). In any case, funding for the next period was significantly enhanced, and more resources were allocated based on the numbers of asylum seekers or refugees in each country⁹.

The Hague Programme (2004-2009 / Second Phase of the CEAS) and the Stockholm Programme (2010-2014 / Third Phase) have been less ambitious in the adoption of new legislation. Efforts in these two programs focused more on establishing higher protection standards, outsourcing, greater harmonization between Member States and enhancing solidarity mechanisms (Gerard 2014: 58). Of particular importance has been the establishment of FRONTEX in 2004, in order to improve border security enforcement, control functions and monitoring functions. A further important development was the establishment of EASO in 2011, which aimed to intensify the cooperation between EU - Member States in the field of asylum, to support the implementation of CEAS and to support Member States which are under increased pressure. Moreover, the Stockholm Programme foresaw the amendment of the Dublin Regulation (Dublin III) in order to take into consideration the pressures that individual countries face (Hatton 2015: 614).

Evaluation of CEAS and national asylum policies

In the development and evaluation of CEAS, Hatton concludes that despite the significant progress that have taken place during the last decade, emphasis was placed, almost exclusively, on the harmonization of rules and procedures. Furthermore, the relevant Directives were unevenly implemented by the EU - Member States, and the ERF even though

⁹ Indicatively: Figures on allocation by EU Country for each Fund: <http://ec.europa.eu/home-affairs/funding/refugee/docs/2011/AllocationsEUStateEachFund.doc> (Last visit 29/6/2016)

it has strengthened, remains short of resources. In essence, the major barrier is that the responsibility for implementing most aspects of asylum policy remains strictly within the Member States (Hatton 2015: 614).

In summary, EU asylum policy is characterized by the inherent contradiction between the obligations arising for protection under international treaties, and the need to control migration flows to the EU (Karamanidou and Schuster 2012: 171). The influx of asylum seekers in the early 1990s placed the existing asylum systems of different countries under severe pressure. However, it could be argued that the tightening of the asylum system is mainly due to a belief that asylum seekers are predominantly economic migrants that seek to exploit the existing framework in order to stay and work in European countries (Hampshire 2013 : 72).

This belief led to the tightening of both processes and policies. Hatton (2011: 51) identifies three areas which reflect this change: access, processing and provision, while Schuster (2000: 120) highlights the trend towards substitution of permanent protection as provided by the refugee status, with temporary protection measures.

Regarding access, Gibney (2006: 142) highlights the efforts by the Member States to make it harder for asylum seekers to enter their territory. These measures are complementary to other measures of the period, such as those related to the intensification of border controls. More stringent measures are "territorial excisions", whereby in specific geographic areas the normal asylum procedures do not apply. An extreme example is Australia, where the right of asylum does not apply in entire geographic regions (Hyndman and Mountz 2008: 259). Another way of indirect restriction of access is through countries that are regarded "safe". In these cases, if an asylum seeker has passed through one of the countries designated as safe, the application is automatically rejected, since he could (and should) have applied for asylum in any of these countries (Gil-Bazo 2006: 572).

The second major change is the tightening of procedures for processing asylum claims. This tightening has resulted in reductions in both the absolute number of applications, and to the number of applicants recognized as refugees. In order to deal with economic migrants seeking asylum, western states adopted measures such as, among others, reduced rights to appeal negative decisions. Another important development was the creation of additional temporary protection categories, instead of the permanent protection as provided with refugee status (McAdam 2005: 516).

The third area which has been tightened, was the rights and benefits that asylum seekers are entitled. The measures sought to reduce or completely eliminate asylum seekers' right to work during the examination of his claim, access to social services, and the dispersal of asylum seekers in reception centers away from urban centers, thus increasing the use of detention (Malloch & Stanley 2005: 62).

Summing up, Hampshire (2013: 76) concludes that the tightening of procedures and policies in recent decades was a result of the negative image of asylum seekers as portrayed by the media, the highly politicized discourse, but was mainly due to the Member States' belief that asylum seekers, in essence, were not refugees in need of genuine protection from persecution, but rather economic migrants who elected to leave their homeland for socio-economic opportunities abroad. As a result, while EU countries officially proclaim their commitment regarding the right of asylum, most of them actually have adopted policies that have severely hardened the asylum-seeking process.

The Greek Asylum Policy

Although Greece was one of the first countries that signed the Geneva Convention and the New York Protocol, it was not until the late 1970s that a legal system for asylum was developed. Asylum seekers arriving in Greece during that period were placed under the protection of UN High Commissioner for Refugees, and after a while they left the country in the framework of a relocation program (Papadimitriou & Papageorgiou 2005: 300).

The Greek state's belief that most of the refugees would be permanently relocated in a different destination country, was supported by the very few applications for asylum during the 1980s and 1990s. Indeed, applications for asylum in 1991 were only 3.600, while the UNHCR estimated that about 6.000 refugees and asylum seekers were residing in Greece in mid-1990 (Black 1994: 364). The main factor, therefore, for the inertia of the Greek state regarding the creation of a refugee protection framework, was the relatively small number of asylum seekers entering the country (Sitaropoulos 2000: 106). Greek Law 1975/1991 recognized individuals as refugees. Before this law, the government was implementing two Ministerial Decisions, which, according to the State Council, were not legally valid (Skordas 1999: 679). In reality, Articles 24 and 25 of this Law did not introduce anything novel, but made reference to the relevant provisions of the 1951 Convention. At the same time, a Presidential Decree was issued that established the examination procedure for refugee recognition, which came into force a year and a half later (Skordas 1999: 679). Presidential Decrees regulating other important issues such as work permits and family reunification took a decade to be adopted and put into force.

However, since the late 1990s a series of external factors placed the issue of asylum management by the Greek state at a more prominent position. The main factors that led to this development were the increased numbers of asylum seekers, the participation of Greece

in the EU and the end of UNHCR's policy on the relocation of refugees from Greece. As a consequence, Greece gradually transformed from a transit country to a country of refugee protection (Karamanidou 2009: 72, Karamanidou & Schuster 2012: 173).

Also, during this period, a strong criticism from international bodies and NGOs begins to emerge, regarding the management of asylum by the Greek state. In 1997, the Danish Refugee Council (DRC) and in 1998 UNHCR highlighted the defects of the Greek asylum regime, while Amnesty International criticized Greece's informal deportations to transit countries. Meanwhile, the prolonged detention of asylum seekers at the borders was condemned by UNHCR, and the inhuman conditions in reception centers were recorded by the European Committee for the Prevention of Torture and Inhuman or Degrading Treatment or Punishment (CPT), Amnesty International and the US Department of State (quotation from Sitaropoulos 2000: 112-113).

In 2000, Greece was under pressure to implement the common European standards for the reception and asylum procedures, while at the same time it struggled to secure its borders against immigrants who illegally entered (some of whom sought shelter). A major development was the launch and implementation of the "Eurodac" system in Greece since 2003. As a consequence, there was an increase in returns of asylum seekers from other European countries, a development which found unprepared the Greek authorities (Papadimitriou & Papageorgiou 2005: 306).

Until 2008, the asylum process and the social rights of asylum seekers were regulated by Greek Law 1975/1991, as amended by Greek Law 2452 / 1996 and the relevant Presidential Decrees (Karamanidou 2012: 173). In addition, the European Directives on temporary protection, reception of asylum seekers, minimum standards and the identification procedures were transposed by 2008 in Greek law. However, beyond the formal transposition of the

Directives, the procedures regarding their implementation were heavily criticized by Greek NGOs (Karamanidou 2012: 174).

As a consequence of the severe criticism at both national and European level, a new law on asylum was voted in 2011 (Greek Law. 3907/2011), that significantly reshaped the Greek legislative framework. This law provides for the establishment of an "Asylum Service", consisting of a Central Office and Regional Offices (Article 1). Until early 2016, 6 Regional Offices and 3 Independent Branch Offices were operating. The Law also provisioned for the establishment of a "First Reception Service" (Article 6), with the mission to "effectively manage third country nationals illegally entering the country."

The focal 2015-2016 period

Illustration of refugee flows

According to Frontex, there are three main routes through the Mediterranean towards European countries. The Western Mediterranean route to Spain, the Central Mediterranean route to Italy, and the Eastern Mediterranean route to Greece¹⁰. By 2015, the main gateway to the EU through the sea was that of central Mediterranean. More specifically, in 2014 170.000 refugees and immigrants entered in Italy (FRA 2015: 86), when at the same time only 43.500 entered in Greece, ie less than one fifth of the total (UNHCR 2015: 11).

The above picture radically changed in 2015. During the first half of the year, Italy had 67.500 arrivals, while Greece 68.000. In absolute numbers, arrivals in Greece for the first half

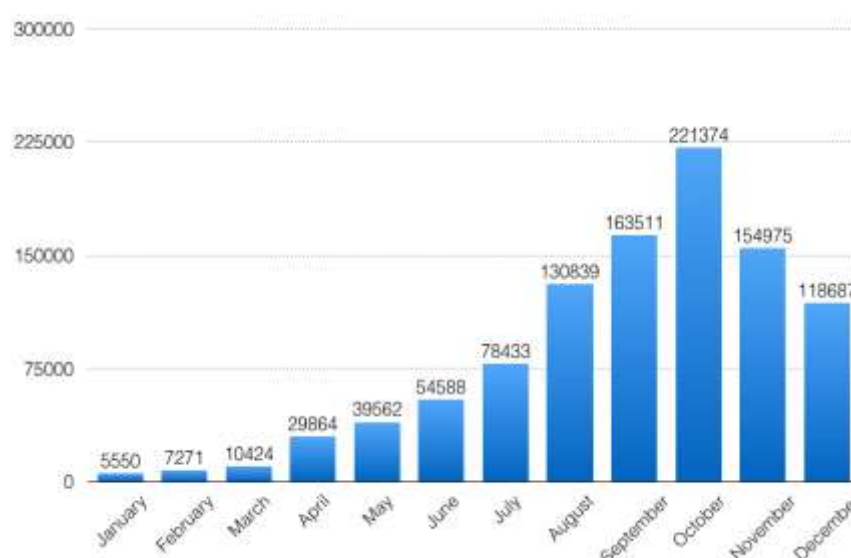
¹⁰ More on the routes: <http://frontex.europa.eu/trends-and-routes/migratory-routes-map/> (Last visit 29/6/2016)

of the year were many times the corresponding 2014 levels, exceeding the total arrivals in the country during 2014¹¹.

The numbers for the first half in the two main points of entry may be similar, but the nationalities that entered the two countries were very different. In Italy the entrants came mainly from Eritrea (25%), Nigeria (10%) and Somalia (10%), while in Greece from Syria (57%), Afghanistan (22%) and Iraq (5%) (UNHCR 2015: 11).

The number of refugees and immigrants that crossed the Mediterranean in 2015 increased gradually from approximately 5.500 people in January, to approximately 221.000 people in October¹². For the whole year, according to estimates by IOM and UNHCR, more than one million refugees and migrants arrived in Europe, about three or four times more than in 2014¹³.

Graph 1 Monthly arrivals in Europe through the Mediterranean, 2015



Source: <http://data.unhcr.org/mediterranean/regional.php>

¹¹ <http://www.unhcr.org/55d32dcf6.html> (Last visit 29/6/2016)

¹² <http://www.unhcr.org/5683d0b56.html> (Last visit 29/6/2016)

¹³ <http://www.unhcr.org/5683d0b56.html> (Last visit 29/6/2016)

The overwhelming majority (800.000) of the one million refugees that entered Europe in 2015, achieved that through Greece. In Italy, a relative decrease was observed, since 150.000 entered in 2015, compared to 170.000 that entered in 2014. Half of those who crossed the Mediterranean to Europe were from Syria, 20% from Afghanistan, and 7% from Iraq¹⁴.

According to UNHCR, 58% of refugees and migrants that arrived in Europe by sea in 2015 were men, 17% women and 25% children¹⁵. Specifically for Greece, from the Syrian refugees that entered during the period April - September 2015¹⁶, 81% were male, 78% were under 35, while 86% said they have finished secondary or university education. Their objective was to apply for asylum in Germany (50%) and Sweden (13%), believing that these countries provide more assistance to refugees (53%) and that they will have better opportunities for finding work (57%) (UNHCR 2015b).

At this point it should be noted that the large increase in flows led at the same time to an increase in human casualties. According to IOM estimates, about 3.692 migrants and refugees died in the Mediterranean in 2015, of which 2.889 in the Central Mediterranean and 731 in the sea¹⁷. In 2014, losses estimated at just over 3.000¹⁸ (Brian & Laczko 2014: 11).

Route to Central Europe - Asylum procedure

As demonstrated by the preliminary findings by UNHCR, the majority of immigrants and refugees who arrived in southern Europe intended to continue moving towards West and North European countries, notably Sweden and Germany, since these provide effective

¹⁴ <http://www.unhcr.org/5683d0b56.html> (Last visit 29/6/2016)

¹⁵ <http://www.unhcr.org/1m-arrivals/> (Last visit 29/6/2016)

¹⁶ Based on the preliminary investigation UNHCR Syrian refugees who entered the Aegean during the period April to September 2015

¹⁷ <https://www.iom.int/news/irregular-migrant-refugee-arrivals-europe-top-one-million-2015-iom> (Last visit 29/6/2016)

¹⁸ Following the exposure of Brian & Laczko for IOM, constantly updated picture of the losses at the border provides the Missing Migrants Project, accessible to page: <http://missingmigrants.iom.int/mediterranean> (Last visit 29/6/2016)

protection, better support for asylum seekers, better environment and easier prospect for integration (UNHCR 2015: 16). Thus, since early June more than 1.000 individuals crossed daily the northern land border between Greece and FYROM, continuing to Serbia, which a final destination in Germany (UNHCR 2015: 16).

This trend is confirmed, since from the 67.500 individuals that entered Italy in the first half of 2015, only half of these applied for asylum (28.500). For Greece the figure is much smaller, since from the 68,000 individuals who entered during the first half, by the end of May only 5,115 individuals had applied for asylum (UNHCR 2015: 16).

By the end of 2015, more than 1.1 million individuals sought asylum in EU-28, ie. almost double the number compared to 2014. Indicative of the rapid increase of asylum applications is that the absolute numbers doubled or over-doubled in several European countries¹⁹.

For comparison reasons, it is worth mentioning that in 2014 the 28 EU Member States received about half of asylum applications (626.960) when compared to the 2015 figures, which was nevertheless the highest recorded number since 1992. This figure represents an increase of 30% compared to 2013 (431.090 applications) and is nearly double that of 2012 (335,290). One third of the 2014 applications were registered in Germany (202.645), while large numbers were also recorded in Sweden (81.180), Italy (64.625) and France²⁰ (64.310).

¹⁹ Eurostat, migr_asyappctza, Link: <http://appsso.eurostat.ec.europa.eu/nui/show.do> (Last visit 29/6/2016)

²⁰ Eurostat, migr_asyappctza, Link: <http://appsso.eurostat.ec.europa.eu/nui/show.do> (Last visit 29/6/2016)

Table 1 Asylum Applications in selected European countries, 2014-2015

	2014	2015	% Increase 2014-2015
EU (28)	626.960	1.321.560	210%
Austria	28.035	88.160	310%
Belgium	22.710	44.660	200%
Bulgaria	11.080	20.365	180%
Czech Republic	1.145	1.515	130%
Denmark	14.680	20.935	140%
France	64.310	75.750	120%
Finland	3.620	32.345	890%
Germany	202.645	476.510	240%
Greece	9.430	13.205	140%
Hungary	42.775	177.135	410%
Italy	64.625	84.085	130%
Netherlands	24.495	44.970	180%
Norway	11.415	31.110	270%
Poland	8.020	12.190	150%
Spain	5.615	14.780	260%
Sweden	81.180	162.450	200%
United Kingdom	32.785	38.800	120%

Source: Eurostat, migr_asyappctza

Management of the refugee crisis by the European Union

The intensity of the phenomenon in 2015 led to a series of policy choices, both by the European Union and by individual Member States. At the EU level it was soon recognized that the looming crisis will not be temporary. A few days after a series of deadly shipwrecks in April 2015, the Commissioner for Migration, Home Affairs and Citizenship presented a 10

point action plan with the immediate measures to be taken, in order to address the crisis in the Mediterranean. Among others, a crucial decision was to step up joint operations in the Mediterranean and the active pursuit of smugglers²¹.

The following month, taking into account the already increased flows compared to 2014, the European Commission adopted an emergency relocation mechanism, aiming to assist Italy and Greece. Under the initiative, 40,000 people were to be relocated from these two countries in other EU Member States over the next two years²². However, the rapid developments of this period made the decisions obsolete in a fast manner, since just in July, 50,000 refugees and migrants entered Greece alone²³.

In September 2015, within the framework of the European Agenda for Migration that was adopted in May 2015, the European Commission proposed a proposal with a dual purpose. To immediate relief countries that were affected the most from the increased refugee flows, and at the same time to combat the root causes that force people to seek refuge in Europe. Within this context, an urgent relocation of 120,000 individuals²⁴ in need of international protection was proposed, from Greece, Italy and Hungary to other EU Member States. Two more proposals were the establishment of a permanent relocation mechanism and a common European list of safe countries of origin, which will include, among others, Turkey. Finally, with the aim of addressing the root causes of irregular migration flows from Africa, a "Trust Fund for Africa" of €1,8 billion was set up²⁵.

The relocation of 120,000 asylum seekers was adopted at the "Justice and Home Affairs" Council meeting in late September. Under this initiative, 15,600 asylum seekers from Italy, 50,400 from Greece and 54,000 from Hungary will be relocated in different member states of

²¹ http://europa.eu/rapid/press-release_IP-15-4813_en.htm (Last visit 29/6/2016)

²² http://europa.eu/rapid/press-release_IP-15-5039_el.htm (Last visit 29/6/2016)

²³ <http://www.unhcr.org/55c4d1fc2.html> (Last visit 29/6/2016)

²⁴ This figure relates to persons other than the 40,000 that the Commission proposed in May to relocate to Greece and Italy.

²⁵ http://europa.eu/rapid/press-release_IP-15-5596_en.htm (Last visit 29/6/2016)

the Union²⁶. It is of particular importance that this decision was adopted with majority voting, an unusual process for such a politically sensitive issue, since the Czech Republic, Hungary, Romania and Slovakia voted against the proposal, while Finland abstained²⁷.

As demonstrated by the above initiatives, the European Union recognized in time that the root causes of migration flows should be address, in order to properly manage the phenomenon. To this end, in mid-November a Summit on Migration was held in Malta, with the participation of African countries' Heads of States. Acknowledging that migration is a shared responsibility of both countries of origin, transit and destination, an Action Plan was agreed which focuses on five priority axes. Key among them, was the need to address the root causes of irregular migration and forced displacement, the organization of regular channels for migration and mobility, and the prevention of and fight against migrant smuggling and trafficking in human beings²⁸.

At the end of the same month, at a meeting between EU heads of state or government with Turkey, the political and financial support of the latter was decided in order to stem the flow of migrants to Europe. For this purpose, increased cooperation was decided regarding migrants not in need of international protection, with the aim been full implementation of the EU - Turkey readmission agreement by June 2016. Furthermore, it was decided that EU will step up its assistance to Syrian refugees in Turkey through a new Refugee Facility of €3 billion²⁹.

Following from that meeting, a key agreement was reached in March 2016 between EU and Turkey, with the direct aim to break the smugglers' business model, and to provide for migrants an alternative to putting their lives at risk. To this end, it was decided that all

²⁶ With the exception of Denmark, Ireland and the UK, countries which retain the right to self-exclusion (opt-out)

²⁷ <https://www.europeansources.info/showDoc?ID=1206853> (Last visit 29/6/2016)

²⁸ http://www.consilium.europa.eu/en/meetings/international-summit/2015/11/ACTION_PLAN_EN_pdf/ (Last visit 29/6/2016)

²⁹ <http://www.consilium.europa.eu/en/meetings/international-summit/2015/11/29/> (Last visit 29/6/2016)

migrants arriving in the Greek islands from Turkey will be duly registered and any application for asylum will be processed individually by the Greek authorities. Those not applying for asylum or whose application has been found unfounded or inadmissible in accordance with the said directive will be returned to Turkey. Furthermore, for every Syrian being returned to Turkey from Greek islands, another Syrian will be resettled from Turkey to the EU. Turkey will take any necessary measures to prevent new sea or land routes for illegal migration opening from Turkey to the EU, and will cooperate with neighbouring states as well as the EU to this effect. In exchange, EU Member States will increase resettlement of Syrian refugees residing in Turkey, accelerate visa liberalization for Turkish nationals, and boost existing financial support for Turkey's refugee population³⁰.

Management of the refugee crisis by EU Members States

During 2015, differences between European countries concerning the management of refugee flows were made explicit. Different philosophies were reflected in the applied policy measures that were deemed necessary, by Germany on the one hand, and the Visegrad coalition (Hungary, Czech Republic, Poland, Slovakia) on the other .

Acknowledging that the majority of asylum seekers envisioned Germany as their final destination, the country chose in late August to make use of Dublin's Regulation Article 17. According to this Article, Syrians that applied for asylum in Germany will not be returned to the country of first entry, but instead their application will be examined in Germany³¹. Furthermore, there was a bold statement on the part of Chancellor Merkel that "*there is no legal limit for refugees that Germany can host*", and that as a state, Germany has the strength

³⁰ <http://www.consilium.europa.eu/en/press/press-releases/2016/03/18-eu-turkey-statement/> (Last visit 29/6/2016)

³¹ <https://www.washingtonpost.com/news/worldviews/wp/2015/08/26/germanys-small-yet-important-change-to-the-way-it-deals-with-syrian-refugees/> (Last visit 29/6/2016)

to do what is necessary³². At the same time with these statements, a “refugees welcome” culture (*Willkommenskultur*) was developed that rapidly spread from Germany across Europe³³.

However, other countries chose to address the issue in a different manner. The opening of the Greece - FYROM borders allowed large numbers of refugees and migrants to move along the West Balkan route, through Serbia and Hungary towards Western Europe³⁴. It is estimated that in August alone 39,000 refugees and migrants traversed FYROM³⁵. These large flows placed pressure in the countries along the route to take measures, in order to protect their external borders.

Map 1: Refugees and migrants movement along the West Balkan route



³² <http://news.sky.com/story/1547326/germany-no-limit-to-refugees-well-take-in> (Last visit 29/6/2016)

³³ <http://www.economist.com/news/briefing/21664216-ordinary-germans-not-their-politicians-have-taken-lead-welcoming-syrias> (Last visit 29/6/2016)

³⁴ <http://www.theguardian.com/world/2015/aug/23/macedonian-army-allows-migrants-to-cross-border> (Last visit 29/6/2016)

Source:

<http://www.economist.com/news/europe/21679258-journey-through-europe-miserable-migrants-it-likely-get-worse-icy-reception> (amended by the author)

Hence, Hungary since June had announced its intention to build a fence along its borders with Serbia, in order to stop the entry of refugees and immigrants in its territory³⁶. Indeed, in September Hungary closed its border with Serbia and next month with Croatia, starting thus a domino process. In November Slovenia started to fence its borders with Croatia, while a few days later Austria announced that it will build fences on its border with Slovenia³⁷. By the end of November, Slovenia, Croatia, Serbia and FYROM had placed border restrictions for nationalities that did not originate from countries at war, leaving only certain nationalities, among which Syrians, to cross their borders³⁸.

Similar developments took place in the northern European countries. Sweden announced that it is commencing identity checks on persons who cross its border with Denmark³⁹, while the latter, fearing that refugees and migrants will become trapped in its territory, proceeded to a tightening of controls at its borders with Germany⁴⁰.

³⁵ <http://www.theguardian.com/world/2015/aug/21/macedonian-police-fire-stun-grenades-migrants-greece> (Last visit 29/6/2016)

³⁶ <http://www.reuters.com/article/us-hungary-immigration-idUSKBN0OX17I20150618> (Last visit 29/6/2016)

³⁷ http://www.huffingtonpost.com/entry/austria-plans-border-fence-with-slovenia-to-control-migrant-flow_us_5645e7a9e4b0603773489317?55ewmi= (Last visit 29/6/2016)

³⁸ http://www.huffingtonpost.com/entry/eu-close-borders-economic-migrants_us_564e294ee4b08c74b734f9d7?gb8adcxr= (Last visit 29/6/2016)

³⁹ <http://www.economist.com/news/europe/21679476-strange-spectacle-sweden-and-denmark-sniping-each-others-immigration-policies-bridge> (Last visit 29/6/2016)

⁴⁰ http://www.nytimes.com/2016/01/05/world/europe/sweden-denmark-border-check-migrants.html?_r=0 (Last visit 29/6/2016)

Map 2: European Borders partially of fully fenced-off



Source: <http://www.economist.com/blogs/graphicdetail/2016/01/daily-chart-5> (amended by the author)

Other European countries chose to follow a middle path. In September, France announced it will accept 24,000 asylum seekers over a two years period⁴¹, and Britain that will accept up to 20,000, mainly children and orphans, who will come directly from refugee camps in Jordan, Lebanon and Turkey⁴².

It could be argued that these conservative responses from the majority of EU member states in the management of refugee flows, was predominantly motivated by domestic political reasons. In the UK, in view of the announced referendum regarding whether Britain should leave or remain in the European Union, the pressure exerted by the populist Eurosceptic UKIP party to the government is more than evident. Similar pressure is experienced by the French government, by the ever increasing power of the National Front (Front National). However, it should be noted that the German government had also received pressure by its governmental partners, state governors, right populist parties (Alternative für

⁴¹ http://www.huffingtonpost.com/entry/france-refugees_us_55ed6ed8e4b093be51bbc5df (Last visit 29/6/2016)

⁴² <http://www.bbc.com/news/uk-34171148> (Last visit 29/6/2016)

Deutschland - AfD) and civil xenophobic movements (pegida), but did not significantly deviate from the original position.

Conclusions

Drawing from the above analysis, four main conclusions may be reached. First among them is that the critique that Greece receives, has change in nature. In the previous decades the country was criticized by other European countries, as well as Greek and international NGOs, and has received a number of convictions by the European Court of Human Rights (Mallia 2011: 107) regarding the inadequate protection of human rights of asylum seekers. Since 2015, however, its inability to guard the external borders of the European Union, and especially those of the Schengen Area, has made Greece a turmoil factor within the European context. Indicative of this change in discourse is the frequent reference by the European Commission that *“if we want to maintain our internal area of free movement, we must better manage our external borders⁴³”*.

The stark difference of opinion between EU Member States, regarding the proper management of the refugee issue, comes as the second conclusion. This divergence is evident both between member states, and increasingly so within each member state. However, large inflows of asylum seekers in Europe were recorded both in the early 1990s and in early 2000s, without any large-scale reactions. Without underestimating the importance of absolute numbers and the pressure that they - objectively - exercise, we argue that the reactions in 2015 and 2016 are primarily due to the intense politicization of the immigration issue, and its consequent political exploitation by the states, political parties, movements and the media

⁴³ http://europa.eu/rapid/press-release_IP-16-174_el.pdf (Last visit 29/6/2016)

(Van der Brug et al 2015). There could barely be a better or more timely example, than the role that immigration has played at the referendum regarding the exit of the UK from the European Union.

The third conclusion has to do with the securitization of migration. International migration was not always linked to security; it was the end of the Cold War that brought the widening of the security agenda to economic, political, societal, environmental and military sectors. In this new environment, immigrants were subsequently portrayed as a threat to the economic, social and political stability of the host state, as endangering national identity, and having links to organized crime (Ceyhan and Tsoukala 2002: 22). Increasingly after the 9/11 attacks, migrants are associated to international terrorism as well. By framing migration as a security concern, immediate political action is then required (Hollifield 2000: 154–155). It remains to be seen what effect will the deadly terrorist attacks in Paris in November 2015 and Belgium in March 2016, as well as the 2016 New Year's events in Cologne, will have on the increasingly interlinked migration - security agenda in Europe.

Last but not least, the refugee crisis of 2015-2016 exposed crucial structural weaknesses and shortcomings in the design and implementation of the Common European Asylum System (CEAS). As such, it is imperative to move from a system which by design or poor implementation places a disproportionate responsibility on certain Member States, to a fairer system which provides orderly and safe pathways to the EU for third country nationals in need of protection (European Commission 2016: 2). As we have covered elsewhere in this paper, a key shortcoming of CEAS is the uneven implementation of its rules among Member States. Hence, strengthening and harmonization of CEAS should be a top priority, so as to ensure more equal treatment across the EU. However, a long term solution could primarily be provided by transferring responsibility of all aspects of the asylum process from the national to the EU level. By establishing a single and centralized decision-making process, in both

first instance and appeal, a complete harmonization of the procedures and a consistent evaluation of the protection needs at EU level will be provided (European Commission 2016: 9).

In conclusion, it can be argued that the refugee crisis of 2015-2016 will be one of those focal points shaping European policy. In the same way that the increased flows of asylum seekers in the early 1990s lead to the formulation of the Common European Asylum System, the new flows will also significantly alter the existing policies. The challenge for EU is to ensure, in any case, the protection of individuals in need of refuge, while strengthening the Schengen Area, and providing for a smarter and well managed asylum policy grounded on the principles of responsibility and solidarity.

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