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Geographies of crisis in Greece: A social well-being approach

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ABSTRACT

The most prominent 'victim' of the global financial crisis in 2007/2008 has been Greece, which is, even now, in the middle of an economic and social storm that is threatening its economic and social cohesion and its membership of the Eurozone. Using the social well-being conceptual framework as a benchmark and exploiting the literature of composite indicators, the paper aims to assess and measure the regional impact of the crisis in a systematic and comprehensive way. Differing from most of previous studies, both at national and international levels, this study is based on the assumption that the effects of the crisis go far beyond economics and create a social crisis strongly associated with significant human and social costs that might transform Greece's regional status and threaten its regional well-being, probably in a very unequal way. The main finding of the analysis is that although all regions were severely affected by the dynamics and intensity of the crisis, some regions were more affected than others, leading to 'winners' and 'losers'. From a policy point of view, the results of this study have serious implications for crisis management, recovery policy actions and a country's social cohesion, especially in Greece where austerity policy measures not only imposed considerable cutbacks in regional development policies but also ignored the spatial dimension of the crisis.

1. Introduction

The global financial crisis of 2007/2008 and the subsequent wider economic recession in 2009 have been characterised as occasioning the most serious economic hardship since theGreat Depression of the 1930s, negatively affecting a large number of countries worldwide. The most prominent 'victim' of the crisis has been Greece, which is, even now, in the middle of an economic and social storm that is threatening its economic and social cohesion and membership in the Eurozone. In response to the crisis, Greece has received substantial financial assistance since 2010 in the form of rescue packages from the European Commission (EC), the European Central Bank and the International Monetary Fund (the 'Troika'), in exchange for a programme of prolonged fiscal consolidation imposing harsh austerity and deep structural reforms.[1] However, the adoption of a highly pro-cyclical policy and the inability of Greek governments to implement economic reforms seem to have intensified and perpetuated the tension of crisis.[2]

The Greek crisis has lasted nearly 7 years, hugely affecting the economic well-being of its inhabitants. For instance, real gross domestic product (GDP) has shrunk by more than 26%, a larger decrease than in the aftermath of the US crash of 1929, settling the Greek GDP per capita below 75% of the European Union (EU)-28, while disposable income has fallen by more than one-third (OECDa,b, 2017). However, the crisis has left its imprint far beyond these economic indicators. The unemployment rate has tripled, escalating to 27% in 2015, the highest in the EU and the Organisation for Economic Co-operation and Development (OECD), while the employment rate has reached 50%, a record low. The at-risk-of-poverty or social exclusion rate has risen to alarming levels, from 28.1% to 36%, while several other indices related, *inter alia*, to health, education and social services have sharply deteriorated (Eurostat, 2016). Social protection faces a dramatic increase in demands (Lyberaki and Tinios, 2014), but social expenditure has significantly decreased, contesting the view that social benefits can act as 'social stabilizers' in periods of crisis (Matsaganis and Leventi, 2014). At the same time, a process of brain drain has led to an unprecedented migration of skilled individuals (Labrianidis, 2011; Labrianidis and Sykas, 2015). These professionals and graduates are escaping economic hardship to seek better job opportunities in the more dynamic markets of central and northern Europe. In general, the historically unprecedented post-war contraction of the Greek economy has also shaken Greek society, returning several social indicators to their 1990s levels or earlier.

The current crisis has triggered, especially in the framework of the EU, an intense debate with regard to its impact on places, mainly

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[1] These measures have led to political conflict, social protest and a growing tide of Euroscepticism or, at least, critical views about the European Union (EU) (Tsirbas, 2016).

[2] For a recent macroeconomic overview of the economic crisis for Greece and the EU, see Monastiriotis (2011), Honkapohja (2014), Storm and Naastepad (2014), Frangakis (2015), Palaskas et al. (2015) and Welfens (2016). For a general theoretical account see Harvey (2010).

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because its effects, which are greater in Cohesion countries, may undermine the European objectives of economic and social cohesion by threatening its unity and integrity. The discussion, however, has largely focused on the national, rather than the regional, level (see, for instance, Arpaia and Curci, 2010; Betti, 2016; Gudmundsdottir, 2013; Arechavala et al., 2015). Although the ramifications of the crisis have been proved anything but spatially uniform,[3] both at national and EU levels, as a small but growing literature has suggested (Committee of the Regions, 2010:3; Hassink, 2010; Martin, 2010; Groot et al., 2011; Hadjimichalis, 2011; Harvey, 2011; Kitson et al., 2011; Fingleton et al., 2012; Hadjimichalis and Hudson, 2014; Brakman et al., 2015; Capello et al., 2015; Lagravinese, 2015; Palaskas et al., 2015; Petrakos and Psycharis, 2016b), the literature of the geographies of crisis remains sporadic, incomplete and inconclusive. Most importantly, the literature has tended to examine, almost exclusively, the economic cost of the crisis using only single macroeconomic indicators, such as GDP or unemployment.

Using the social well-being conceptual framework as a benchmark and exploiting the literature of composite indicators (CIs), this paper aims to assess and measure the regional impact of the crisis in Greece in a systematic and comprehensive way. This study is based on the assumption that the effects of the crisis go far beyond the economic dimension; the recent crisis has created not only an economic and fiscal crisis but also a social crisis, which is closely associated with significant human and social costs (OECD, 2014a:11; Mohseni-Cheraghlou, 2016) that can transform Greece's regional status and threaten its regional well-being, probably in a very unequal way. Because the ultimate goal of any economy is, or should be, to improve human and social well-being and macroeconomic indicators are only used as proxies for them, the effects of crises, when possible, can be examined directly using social indicators rather than indirectly using, for instance, GDP (Mohseni-Cheraghlou, 2016). The social approach is also useful because often the changes in macroeconomic indicators over time may not be significantly correlated with the changes in social indicators (Boarini et al., 2006). Recently, a significant number of human geographers and economists have challenged the mainstream stance of focusing on economic indicators, calling for a broader range of notions and measures associated with social well-being to be applied (Dasgupta, 2000; Dunford, 2005; Hudson, 2007; Pike et al., 2007; Stiglitz et al., 2009; Soja, 2010; Hadjimichalis, 2011; Murias et al., 2012; Perrons, 2012). However, the notion of well-being is inherently multidimensional, and from this perspective, it is impossible to summarise it in a single dimension or indicator. As a result, its measurement involves the necessity of CIs, which reduce the multifaceted reality of a phenomenon to a single value.

This study contributes in several ways to the existing literature. First, it contributes to an under-researched area: the geographical study of economic crises and crashes, both current and previous (Martin, 2010). Little is known, for instance, about the specific channels through which crises influence the dimensions of human and social well-being (Mohseni-Cheraghlou, 2016). Second, given the scarcity of studies investigating the social, rather than economic, dimensions of crisis at the regional level, this paper fills an important gap in the international literature. To the best of our knowledge, this study is the first to attempt to measure the regional impact of the crisis in terms of social well-being by using a multidimensional approach. All previous studies, focusing on the current or previous crises, have used only one or two indicators of social well-being, even at the country level (Mohseni-Cheraghlou, 2016), while none of the CIs in the literature of vulnerability and resilience, focusing on adverse shocks and economic crises, can be explicitly labelled as social (Bates et al., 2014; Angeon and Bates, 2015). Third, this study presents empirical evidence from by far the most severely affected country, as well as from a Cohesion country of the EU for which regional development has been of the utmost importance since the 1980s. From this point of view, Greece provides a unique and intriguing case study for theory and policy. Finally, the indicator developed offers new policy insights in an era when social issues lie at the heart of government policy agenda (OECD, 2014a:16) and the improvement of several social indicators also scores high on the EU's policy agenda, reshaping the thinking of how regional problems in Europe are approached (Cuadrado-Roura et al., 2016).

2. Regional reactions to economic shocks: A short review of the literature

The theoretical literature investigating and analysing the geographies of crisis, and especially the regional reactions to economic crises/cycles, is scarce and underdeveloped; in essence, there are neither generally accepted and coherent theoretical frameworks nor rigorous explanations behind the responses of regions to shocks (Eraydin, 2016; Martin et al., 2016). Therefore, the process underlying regional reactions to crises is inadequately conceptualised and poorly understood. Popular theories in the fields of economic geography and regional science, such as the 'New Economic Geography/Geographical Economics' and 'New Regionalism', have little to say on this issue because of their obsession with the regional 'success stories' of the 1970s and 1980s (Harvey, 2011; Hadjimichalis and Hudson, 2014). Nevertheless, a few theoretical strands can be associated, at least partially, with the regional responses to shocks.

One strand of the literature relates cycles with the spatial concentration of economic activities (Berry, 1988). More specifically, according to this approach, which has some points in common with the growth pole theory (Perroux, 1970) and cumulative causation theory (Myrdal, 1957), regional inequality is expected to rise in periods of economic growth as expansion cycles begin at the dynamic poles of economic activity, where the interaction of agglomeration effects and market size provides a lead over other regions. In contrast, during a recessionary period these poles are more exposed to demand and supply shocks and therefore more likely to be negatively affected than the rest of the regions, resulting in decreasing regional inequality. In other words, disparities exhibit a pro-cyclical behaviour, increasing in periods of expansion and decreasing in periods of recession (or slow growth). Empirically, the above postulations have been confirmed by several studies by using mainly economic indicators such as GDP (see, for instance, Chatterji and Dewhurst, 1996, for Great Britain; Terrasi, 1999, for Italy; Petrakos and Saratsis, 2000, for Greece; Azzoni, 2001, for Brazil).

Another strand of the literature relates the nature and degree of regional specialisation or diversification with sensitivity to shocks. This discussion started during the period of the Great Depression of the 1930s when scholars studied the impact of cyclical fluctuations on communities (Dissart, 2003). Although the effects of specialisation on economic performance of regions are far from straightforward, there is long-term evidence that regions with a relatively high level of diversification or varied economic structure can be less responsive and sensitive to fluctuations caused by negative external shocks or cyclical downturns (Richardson, 1969; Attaran, 1986; for a review of empirical studies, see Dissart, 2003). On the contrary, higher specialisation levels, which are generated, among other things, by economies of scale and agglomeration effects as well as trade liberalisation (Helpman and Krugman, 1985; Krugman, 1991; Fujita et al., 1999), can be associated with generally lower adaptability and higher vulnerability to external shocks (Martin, 2012). From this perspective, regional diversification can be considered analogous to corporate diversification as a risk-spreading strategy (Frenken et al., 2007). In general terms, although regional specialisation can boost economic growth in boom eras, it may

[3] Unevenness over space is not only one of the defining characteristics of capitalist development (Harvey, 1982) and an important component of the current crisis of capitalism (Harvey, 2010) but is also a critical characteristic of periodic crises, which undoubtedly characterise capitalist development (Hadjimichalis and Hudson, 2014).