

UNU- MERIT 25 YEARS Conference on [Innovation & Governance in Development: 26-28 Nov., Maastricht, The Netherlands](#)

Session: Innovation in Europe and the world

“Delivering on the growth promise in the peripheral European countries: How can an “innovating out of the crisis” strategy work in Greece”

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The EU policy response to the European Crisis- which followed the global “2007-2008” financial crisis- has proved to be delayed, one-sided, conceptually biased and in many respects misleading. Moreover, the main cause of the Eurozone problem was, and still is, the inability and the lukewarmness of the European elites and leading forces to face the underlying structural problems, to fix the architectural defects of the EMU, and to tackle the diminishing long-term strategic position of Europe as a global player. The deeper structural and the contextual (global) dimension of combating the crisis at the European and the national level are in many cases inadequately addressed. Besides, the negative effects of the 2008 global financial crisis on the different parts of the European economy were uneven and the different dynamics and capabilities for adapting to changes related to the global economic environment became broadly visible. As some scholars and analysts point out one of the major inadequacies of the European policy was the failure to consider seriously the heterogeneous character of the European economy. Six years after, the European economy as a whole continues to

stagnate and is threatened with a deflationary spiral. Besides, the crisis effects were acute for several parts of Europe, in particular in the southern European periphery countries which suffered a severe rollback in the catching up process towards the EU average level. This development cannot be traced back altogether to the “2007-2008” global financial crisis. In addition, the explosion of the sovereign debt in the peripheral countries cannot be ascribed simply to the incompetence and/or the irresponsible attitude of governments, local elites, several interest groups, and citizens. In fact, the Crisis revealed and magnified the long-term roots of many of the current European exogenous and endogenous structural and strategic problems. The exogenous problems are rooted in the emerging global competitive landscape and affect the current and future position of the European economy in the evolving new global division of labour. The endogenous causes are rooted in the incomplete EMU architecture in relation to the North-South competitiveness divide and results in the emergence of structural trading deficits to the benefit of the Core and the cost of the Periphery. After all, the Euro crisis is not only a financial and monetary crisis originated from the global financial crisis. It is actually about the future of Europe and its position in the emerging global competitive landscape. More precisely, the issue at stake is how the European countries and above all Europe as a global “strategic player” can respond effectively to “a world that is rapidly changing”.

At this point in time, many more voices stress the urgent need for an “innovating out of the crisis” growth/ development strategy at the European level, which in any case should take seriously into account the required adaptations to the different contexts, systems and capabilities of the several “socioeconomic configurations” within the European Union. This strategy should aim at bringing simultaneously recovery and

rebalancing. An exclusively “one size fits all strategy” does not seem to work effectively. The need for such a strategy (and the accompanied public policies) can be (“not so” up to now) easily said but it is much more difficult to get implemented, especially in the peripheral countries of Southern Europe.

*This paper attempts to identify the barriers, the prerequisites, the content, the missing links and the driving forces for the effective implementation of an “innovating out of the crisis” growth strategy in one of the Southern European periphery countries i.e. Greece.*

The case of Greece, certainly not unique, presents some special interest from some reasons:

a) In the outbreak of the crisis Greece was considered by leading circles in the European Union as the “black sheep” and the scapegoat for the European crisis and now is labeled by the same circles as a “success story”.

b) The adopted policy of harsh and long-lasting austerity measures with an exclusive focus on “cost- competitiveness” and general market-based structural reforms has led to a considerable progress in terms of fiscal management. But, the cost for the Greek economy and society appears to be unacceptably excessively high in terms of loss of productive capacity, collapse of investment activity, unemployment, incomes reductions, inequality rise, tax burden on certain segments of society etc. Nevertheless, the adopted policy did not succeed in transforming the pattern of entrepreneurial activity and production, which has not been improved in qualitative terms and it is not at all evident that it will improve soon in terms of “structural” competitiveness.

c) The growth element in the economic policy was and is still missing; in particular there is a lack of an “activating knowledge” systemic dimension. The necessity for such a clear dimension in the policy-mix in

the Greek context is more needed, because even during the long pre-crisis period of good economic performance, the high growth trajectory was not very much associated with technology upgrading and industrial improvement

d) Implementation in the Greek (but also in other Southern and Eastern European countries) context matters very much, as certain necessary institutions and the related capabilities are weak or missing. In particular, Greece was historically quick in perceiving the importance of technological and institutional innovations and undertaking relevant initiatives, but very slow in implementing them. Therefore, drafting the policy framework and providing the necessary incentives in general is not sufficient. A system of interrelated policies with concrete measures and a realistic roadmap backed by the co-ordinated mobilisation of existing and would be actors and resources should be in place for the successful implementation of the proposed strategy.

Drawing from *a rich body of recent empirical research (surveys, case-studies, strategic study, industrial panels' reports etc) and hands-on experience*, the paper seeks to sketch out a version of an innovating out of the crisis strategy in the Greek context. More precisely, such a strategy should address five interwoven issues in a “what and how to” manner: i) enhancing the STID system, ii) creating a vibrant ecosystem for the innovative entrepreneurship to flourish, iii) investing and upgrading human resources, iv) organizing a smart functional state, v) untapping the under-utilised ICT induced growth potential which can bring about productivity gains both in the public administration and the business sector.

In addition, the focus should move away from exclusive focus on general structural reforms and rely much more on identifying barriers and opportunities, missing links and capabilities across certain “extended

value chains and related productive and business systems”. In this respect, a process of engaging actors active in each of these value chains and allowing space for new actors to emerge should be activated.