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ATHENS - ΑΘΗΝΑΙ, 2003

Μέλη Συμβουλευτικής Επιτροπής - Associate Editors

JEWS' ECONOMIC POSITION
DURING GREEK-BYZANTIUM TIMES
AT CONSTANTINOPLE[*]

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Abstract

Lazaros Th. Houmanidis: *Jews' economic position during Greek-Byzantium times at Constantinople.*

In the abovementioned article the writer explains the difference in the attitude of Byzantium and that of Western Europe towards Jewish people.

For the writer Papacy was against Jews because of their religion. This attitude was extended in their social and economic position. At the same time in Byzantium Jews enjoyed religions and economic freedom. Under these circumstances Jews developed their economic activity in an environment without humiliations, percecutions, executions and of any kind of oppression.

The writer also explores the taxation on Jews and informs us that the tax levied on Jews was the same as on Christians. He mentions and the tax kefalition which was first imposed on Jews during roman times in Chios under the reign of Constantinos IX Monomachos finally was abolished.

The Orthodox Church was in general indulgent towards Jews concerning their religion. The Byzantine State never oppressed Jewish people who have many flourishing communities in the empire as it was their community in Constantinople.

JEL classification: N00.

Keywords: Greek Byzantium, taxation, Jews' economic activity.

1. In this paper, I am going to examine again, as it is obvious from the title, the position of the Jews within the Byzantine Empire, at and specifically in its capital, Constantinople or Polis, or Byzantium's Town or New Rome, after the 7th century, when the Eastern part of the old Roman Empire was hellenized.

Jews' economic position at Constantinople cannot be examined without taking into account the religious factor, as Jews, during their dispersion in West Europe; they faced humiliations, persecutions and executions (Houmanidis, 1985). And that is because of the position of Papacy against Judaism. Consequently, the fact that this paper involves religion must not be considered as deviation from the point, but as tightly linked with the Jews' actions circumstances in the Byzantine times in Constantinople, particularly in comparison with other European countries.

During the Byzantine ages' Jews were dispersed through all the Empire, enjoying religious freedom and living in blooming economic communities. From the side of view the jewish population was larger than the population shown by some byzantinologists.

The great Greek economic historian A. Andreades (1983, Vol. I, p. 387 and ib. p. 613), based on the facts gathered by Jewish Rabbi Aben Jonach (Tudelas) from Saragosa in 12th century, in a tour throughout the Empire of, informs us that the number of the Jews in the Constantinople was 2,500 and came up to in 15,000 -20,000 in the entire Empire. Herein I must mention the fact that as the time passed by many Jews were Christianized. Andreades (Vol.I, p.613) mentions also that in the island of Aegina, Furtwangler some years before his death, found a synagogue.

Of course, Jews are presented to be less in relation the total population of Constantinople, which was counted on over 500,000 during the peak of the Empire. If we take into account all the immigrants and newcomers, this population may come up to 1,000,000(H. Pirenne, 1956, p. 60, Houmanidis, op. cit. p. 2).

The Jews, except Constantinople, developed their economic activity in Thessaly, Peloponnese, Crete, Macedonia, the Black Sea, Syria, Palestine and Egypt, living with the fear of dispersion, but nevertheless true to their religion and regarding work as the means to prosperity, as the nation who first of all was blessed to hear the voice of God through Moses and the Prophets.

In Constantinople, the Jews were dealing with goods and money trade but because of the fear of persecutions due to their information from the West they maintained mostly current wealth. Consequently, very few Jews dealt with agriculture, either as owners, or as serfs (e.g. 15 families in Chios and 3 in Ioannena, Andreades, op. cit. p. 615), sharing the same luck with christian serfs.

Byzantium was a trade and production center in contrast with Rome that was a consuming center (Pirenne, 1968, p. 18). The Jews were practicing

trade through out the entire Byzantine Empire, down to Egypt and Syria (interchange for India and China). Jewish communities were dispersed to Egypt and to byzantine South Italy (Pirenne, 1968, p. 85).

At this point we have to mention that under the sense of "Syrian merchant" Greek and Jew merchants were posing as well as Syrian merchants. Both Greeks and Jews reached to Marseille, which was "supported by wine, oil, spices and papyrus" (Pirenne, 1956, p. 13). From there Jews traveled to Britain establishing communities, while another dash basis was the Byzantine Carthaginese Exarchate.

The Jews were also dispersed all through Gaule taking up residence in Clermont, Paris, Orleans, Tours, Bourges, Bordeaux and Arley, as Pirenne mentions sourcing from Gregory of Tours (1956, p. 13, 1968, pp. 82-84).

2. Was there an anti - semitic attitude in Byzantium?

After barbarian invasions (especially 3rd century and forth) and after the Arab expansion the jewish merchants were responsible of carrying merchandise, as well as fabric, from Constantinople. Through trade, Jews became wealthy enough to lend also sovereigns. This wealth caused the envy of their christian competitors. We have to point out that, in general, this hostile behaviour was not usual for Greeks and Arabs.

Of course, within the Byzantine Empire, the Jews suffered, as sometimes they were not equally treated in relation with Christians. This phenomenon took place during the first centuries A.D. until the reign of Justinianus (575 – 625). The Jew Samuel Krauss mentions only four persecutions of Jews during ten centuries. (A. Andreades: op. cit. pg. 617). While in Byzantium the Jews lived with dignity they were massacred, as most of the Greeks, when the Crusaders of the 4th Crusade entered Constantinople (1204)[1].

The Jews in Constantinople used to live in the same district (quarter) which was moved north to Galatas in the area called "Steno" (Straight). This quarter, though, was also destroyed from the fire set by the Crusaders (N. Yiannopoulos, 1930, Vol. III, pp. 253-282 and Vol. X, p.168, J. Starr, 1939, p. 641, N. Weis, 1905, Vol. III, No 196, pp. 10-11, A. Manoilovic, 1904, Houmanidis, 1990, Vol. I, p.158-9). The jewish economical position in Byzantium was generally, not so blooming as in the West. That is, in my

opinion, due to the fact the Jews were fewer than of those living in the West. Nevertheless the West benefited economically due to the Crusades (e.g. the flourishing of the maritime Italian cities), while Byzantium was destroyed due to the, so-called, "soldiers of Christ"!

The Crusaders' behavior was caused not only because of the cultivated fanaticism from the Pope's Church but also due to their strong will to snatch the wealth of Constantinople. This snatch at the expense of Jews also happened in many European countries.

In the West the Pope's Church blamed, as it is said, Jews for the Crucifixion of Christ (as if all the Jews were responsible for this crucifixion, and as if Christ and His Disciples were not Jews). Of course this was an excuse for the Western Church to proceed to confiscations of the jewish properties. An example of the ways the Pope and his Church worked, was the conspiracy of both the Pope Clemens V (1305-1314) and of 'Beaux' Philippe, King of France (1285-1314), at the expense of (Christian!) Templar Knights in order to snatch their funds[2].

The Papacy with its propaganda made the Jews obnoxious to the people. In addition, the government's authority suppressed the Jews. Saint Sulpicius baptized in force many Jews. In other occasions Jews that were not willing to be baptized, went to jail. Of course there were exceptions. However, the Clermont Council (535) prevented the Jews from being judges. Merovingian Councils forbade marriages between Christians and Jews (manucipia Christiana) as well as the Christians attending Jewish banquets (Renouard, 1393, p.84). In the year 641, by an Endict (Pope's Order), forbade Jewish public actions against Christians (Renouard, ibid.), the same as it occurred in 1492. Approximately round the year 1000 the Bishop of Worms built a new wall for the city in which he included the Jewish quarter (Latouche, 1970, p.247). In Spain things were a lot more difficult for the Jews, who either were imprisoned or exiled by the Authorities of Spain. The same also happened in other European countries.

In the Greek Byzantine times (i.e. from 7th century and after), most of the Byzantine Emperors not only allowed the Jews to settle in the Empire, but also in Constantinople where they flourished. They also settled in Sparta (where they lived as producers and elaborators of silk, purple and businessmen in merchant marine enterprises), Mystras, Patras, Parnes (as agricul-

turers), Theva, Chalkida, Salonika, Corfu, Thenos, Mykonos, Crete, Ioannena etc. There were emperors, like Michael VI Palaiologos (1259-1282) who was particularly in favor of Jews, while his son Andronikos II Palaiologos (1282-1328) was opposed to any discrimination between Jews and Christians. Some emperors with their decrees didn't aggravate the Jews more than with the same taxation imposed on Christians. At this point it is worth mentioning that, this favorable position in relation to the Jews existed since the reign of emperor Constantine V (741-775) Leon's III (717-741) son, with the result of him being characterized as a "hidden-Jew" (Andreades, 1938, Vol. I, p. 619). The Orthodox Church through its Ecumenical Council (787) announced that it is preferable for the Jews to have religious freedom rather than pretending to be Christians. However, anti-Jewish actions existed (Andreades, ib.). When, for instance, Benjamin Tudelas (Aben Jonach) visited Constantinople (12th century), came up to a mob insulting some Jews within the Jewish quarter. Jonach stressed this isolated event without being aware of the official byzantine position regarding Jews. In this kind of hostile events, actions can be linked to discriminations that involve family, religion and nationality. The Jewish Rabbi generalized this event for other reasons. Jonach overstated the Jewish quarter in Constantinople as a ghetto! However, in Constantinople, all foreigners lived at their own quarter Pisats, Amalfitans, Venetians, Genouats, Catalonians, Russians, Ragousians, etc. Antonios Damalas refers to the Jews of the island Chios where they too lived at their own quarters (Damalas, 1998, Vol.I, p. 529).

However, Jonach doesn't omit to mention that during his tour, he met in Crete (1250) such a favorable position of Jews, that some of them willingly changed their religion or habits. The Jews who lived in Crete, Jonach says, went to Christian courts, avoided ritual bath, they were even not regular in their Synagogue and preferred walking in the squares and parks prattling. Israeli Samuel Krauss comments: "Nowhere in Europe were Jews so deeply influenced by the domestic language and civilization as in Byzantium" (A. Andreades: op. cit. p. 622). We have to point here that there was even a language mix of Jewish and Greek that ended to the Jew-Greek folk speech (Ph. Koukoules, Glossaire Hebreu-Hellenique, Byzantinische Zeitschrift, Houmanidis, 1990, Vol.I, p. 149).

It is obvious that Jews in their turn influenced Christians, particularly during the period of iconoclasm (726-780, 813-843) and we find Rabbi Elis

saios, the teacher of Gregorios Gemistos Plethon, teaching in Thrace (Houmanidis, 1990, Vol.I, p. 149).

There is no doubt, that after the Latin occupation, the Greeks' attitude concerning the Jews changed and it is a fact that anti-Semitism begun to exist in Greece in the form of ghetto (Andreades, Vol.I, p.615 ff.). J. B. Bury mentions: "Under the Byzantine Empire Jews had, mostly, all the privileges that enjoyed before but they were forbidden to have Christian slaves" (Cod. Theod. XVI, 8, 15 Bury, 1958, Vol.I, p.382). Sometimes, the Jews were able to have higher offices and higher position in government. However, exceptions existed, for example under Theodosius II (408-450) the law forbade the Jews from having public offices and other honors. More restrictions were placed on Jews during Justinian's II reign (527-565) (Brehier: Les Institutions… p. 767). The "Neara LV" of emperor Manuel I Comnenos (1143-1180) although forbade the higher officers to Jews, protected them under authorizations. Emperor Ioannes III Vatatzes Doukas (1222-1254) also abided hostile attitude toward Jews. Some clergymen like the Patriarch Ioannes Chrysostomos (345-407), offered opposition to the Jews. He didn't hang back to say, "demons live in their souls" (Patr. Grecae ed. Mine, pg.852). Some emperors offered opposition to Jews, like Phokas (602-610), who ended making jewish persecutions. However, as Bury rightly points, (Vol.I, pg.382) the Jews that lived in Byzantium kept the privileges they had before, and not even the Church was able to persecute them.

We know from history that the Middle Ages was a period of persecutions against Jews. They were accused of being the cause of Black Death, other epidemics and famine! In Spain Jews not only suffered persecutions but massacres. And this inhuman behavior was due to the idea that the Jews were undermining Christians or the cause of epidemics. In Catalunia painful events took place as well as in Genova and Barcelona (1391). Angry mobs attacked the jewish quarter (Call). Similar events happened in Languedoc in the year 1320 where mobs and groups of criminals killed Jews (J. Heers, 1970, p. 114). The inhabitants of the town Visby had not heisted to maintain that the Jews had poisoned their wells (Heers, ib.).

We have to recognize that incidents like these did not take place as far as Byzantium was concerned. Why is that? In order to explain I must mention herein the explanation offered by Andreades and which applies to me (Houmanidis, 1990, Vol. I, pp. 242-3). Together with this aspect we have to

stress the fact that when Alexander the Great turned to the East, he conquered a huge world by establishing an empire beginning from the Greek Peninsula and ending to India. Within this world of various religions and mentalities, of various customs and habits he succeeded in forging the Greek culture with respect to values, ideologies and religions of nations conquered by him. Alexander the Great though didn't turn to the West, since his main goal was to relieve the Greeks from the danger of the Persian threat. But, if he were to turn to the West the evolution of western civilization would be different along with the position of the Jews.

In the East the 17 administrative regions (themata) of the eastern Roman Empire, that became the Byzantine Empire (Pars Orientis), experienced the immediate influence of the free Greek spirit. Consequently, it is not strange that the Jews in the Byzantine Empire were treated differently than in Western Europe[3].

As it is already said, disasters and epidemics in Western Europe were attributed to the Jews in order to subject them to persecutions and exile, as it happened in Venice (13th century), and even in England under the reign of Edward I (1239-1307) but Jews returned back to this country.

Jews, having found hospitable refuge in England, contributed with their economic activity to the development of the country's trade capitalism working like bees within the context of dense transactions either as bankers, lenders or fabric merchants. But when they were persecuted under the reign of Edward I, England was deprived of their services and capitals. It was then that the Crown turned to funds raising from Dutch and Italian bankers, along with adopting the policy of collecting increased fees and tariffs (O. Meredith, p. 137-141). For this reason, due to their persecutions, the Jews maintained current wealth and avoided real estate investment. But in the Byzantine Empire things were different because the bond and the economic bloom of Jews, along with their spiritual background, gave them power to freely express their demands for religious liberty and proceed to obtaining real estate. Salomon, son of Abraham, owned a large estate property near Patras. Despite that, it is true that Saint Nikon advised the government of Sparta, where the Jewish quarter was blooming (XII century), to persecute them because of an epidemic appearing there (L. Brehier, 1970, p. 127). However, there was the renowned Malacinus who rose against Saint Nikon and brought back the Jews in Sparta. When, in 998, Bulgarians tried to conquer Peloponnese, the Jews were blamed for apostasy and went to jail (Brehier,

p. 187). However, and due to Saint Nikon's intervention, they received amnesty from Vasilios II (976-1025) (Brehier, ibid.).

The Jews in Constantinople were involved in the silk process, laver production, embroidery, carpet making and goods and trade on money. Their ability in making woolen carpets in Salonica and Constantinople made them famous under the Dynasty of Comnenoi (1081-1185) (Brehier, op. cit. p.268). Aben Jonach (Tudelas) (1181) informs us about that and particularly about the experts in texture, dye and silk process (Brehier, 1970, p. 188, D. Jacoby, 1962, pp.162-186).

Here, we have to mention that the Jews' main wealth came from trade so that both in the East and the West Jews have developed active trade. According to Heyd, this situation started to peak in the West with the barbarian invasions, when the their various races obtained the needed goods mostly by Jews. The other new kingdoms obtained as well valuable objects from them (W. Heyd, 1967, Vol.I, pp.125-7, G. Ostrogorsky, 1956, p.191, Houmanidis, 1990, VolI, p. 170).

Like we mentioned the trade centers in Byzantium, we also have to remember those in the West, like Narvon, Marseille, Arley, Geneva, Palermo, Naples, etc. In these and other towns the Jews ran distances carrying spices, camphor and valuable golden and silver objects. In Byzantium, the Jews traded slaves, were levied by a tax 10% for every slave, the same that was imposed on Christian traders (L.T. Houmanidis op. cit. pg. 172-3). During Nikiforos Phokas' reign a tax of two golden coins was imposed on the Christian slave traders (A.D. Sideris, History of Economic Life. Vol. I, Papazisis editions, Athens 1950, pg. 292, L.T. Houmanidis op. cit. pg. 179). Despite the expansion of the Muslims within the former borders of the Byzantine Empire, Jews expanded their commercial activity and their occupations, i.e. in medicine. The director of Post Offices Ibn Khordadbech informs us about all that and gives us a full illustration of the extension and the kind of Jewish trade (Andreades, op. cit. ibid.).

3. On the taxation of Jews in Byzantium

Interest receiving was forbidden for Christians, and the position of the Church in this matter was due to Aristotle's influence. According to Aristo-

tle, money is not productive. By this position the Church gave benefit to the Jews, so they could occupy themselves with lending. Jews were free according to their religion (Leviticon, ch.XXV)-to accumulate wealth and became bankers at the lapse of time. Thus they ended with fabulous riches. They also developed their trading abilities within the muslim world, where the Coran prohibits usuring. In Damascus the Jew bankers -such as Yusuf Phineas, Ibrahim and other decedents of the same family- became famous. These bankers also furnished the Court. Great bankers were also Netira, Aaron, Moses (953) Abraham (962-990) and their decedents Ishak, Jacob Sahl, Yusuf and others (E. Ashtor, 1976, pp.145-6). When Benjamin Tudelas visited Baghdad in 1170 he found a wealthy jewish community (P. Hitti, 1950, p. 115, Houmanidis, 1980, Vol.I, p. 493). Some of the most important bankers of Baghdad were Joseph ibn Pinchas and Aaron ibn Imran (P. Hitti, 1950, p. 115, Houmanidis, 1980, Vol.I, p.463, A. Mazaheri, 1951, pp.303-4).

The Scholastics were even opposite to the trade saying that "nullus christianus debet esser mercator", as about the interest set the rule "mutuus date nihil jude speraates". Under these circumstances, and due to economic recession because of the barbarian invasions (Danish, Hungarian, Lombardian, Frank, Arab), it was impossible to achieve economic development in the West. The Byzantine Empire though, also having its commercial economy, along with its agricultural, allowed economic development despite capital accumulation difficulties and its free use, and finally the interest receiving itself.

In Byzantium, except from silver fees and coin exchangers (argentarii), there were also bankers (trapezitae) settled in Constantinople near the biggest road of the capital out of 322 streets, the so-called Middle Road (Messi Odos) that crossed the capital until the Palace.

The Bankers had their own craft union (σύστημα-systema). We are informed about that by the "Eparchicon Biblion" of Leon VI (886-912) found by the Swiss J. Niccole (1893) and translated by him in Geneva under the title: "Le livre du Préfet", 1894). In order for someone to become a member of the union he should also have endearing qualities because "the union consists of honorable and useful people who neither offend the Decrees, nor proceed with coins denaturation and coinage'' (Livre du Préfet Par. 1) (Houmanidis, 1981, 1995, pp. 104, 108).

Due to inescapable need, interest receiving became acceptable, under the Emperors, with float interest rate over time and conditions. This rate

ranged between 4% and 15%, shaped eventually at the level of 12%. We have to mention here that during 4th century A.D., at the begging of 5th, interest rate was at the level of 4%-6% reaching at the maximum of 12%. We must mention herein that during the 4th and at the beginning of the 5th century the rate of interest fluctuated between 4-6% and the maximum (centessima) reached the rate to 12%. Under Justinianus (527-565), interest rate was 8% for merchants, 4% (trientes usurae) for trustworthy people and nobles (illustri) and 6% for every other. For maritime businesses (usurae maritime) the interest rate was 12%, while under Nikephoros' I (802-811) rein was 16.66% (Houmanidis, 1995, pp. 108-9). For farmers the rate was 4% (Andreades, 1938, Vol.I, p. 614).

The Jews gained higher interest rates making profit. These interest rates concerned all kinds of trade, which was also conducted by the Jews, in and out of Constantinople, all through the Empire, and also out of the Empire. Apart from lending, Hebrews also carried out their trade having trading centers in North Africa (Tripolis, Tunis) as well as in Sicily (E. Ashtor, 1978,pp. 441-2, 443-4, 445). Jew merchants were also the intermediaries between entrepreneurs, farmers and big landowners.

With their commercial activity Jews have had an extensive field of transactions with western cities such as Avignion, Genoa and Florence mostly transporting bays of wheat (Heers, ib., p.383). We could maintain that Yves Renouard exaggerates with sustaining that in Italy and in the West in general, Jews did not exercise a whole scale trade as well as they did not provide with extensive capitals the international field (Renouard, 1968, p.219). In Constantinople the Jews were also workers and silk merchants like in Sparta. In Patras and Chios, apart from being lenders, they were practical tradesmen. However, the wealth of Jews in Constantinople was above all, so that Vellarduin characterized their district "Ville mult bonne et mult riche" (Andreades, Vol. I, p.614). The wealth from silk trade in particular, which was exported to Europe via the first station of trade, Venice. Fanfani thought that silk export in the midst of 6th century (552) helped Byzantine trade to develop and at the same time created encouragement for the blooming of Western Roman world commerce, which was ready to receive the boost due to the linkage with the Eastern Roman Empire (Fanfani: Storia Economica, 1956, p. 44).

As it is already said, with all the byzantine citizens, Jews were also subjected to the same kind of taxation. However, Jews paid some poll tax, valid from Roman times. This tax, imposed in Chios under the reign of Constantinos IX Monomachos (1042-1055), was finally abolished[4].

Among the various taxes, which were imposed in Byzantium and also paid by Jews, as we have mentioned before, were two taxes imposed on the family and the house. The former tax 'kapnikon' (καπνικόν) was imposed on people with no urban property. This tax was expanded under the reign of emperor Nikephoros I (802-811) on the houses of serfs; the latter tax 'aerikon' (αεϱικόν) was attributed to Constantine the Great (324-337) and was imposed on the buildings, raised on 10% including even lofty buildings (G. Ostrogorsky, 1969, pp.216-7)[5]. I refer to this tax because several meanings were enunciated.

According to Procopius, this tax (aericon) was extraordinary. Ioannes Chrysostomos, one of the Fathers of Eastern Church, blamed the byzantine authorities because they imposed taxes even on the air. Dölger sustains that the tax on family was a penalty not really a tax. (F. Dölger: Byzantinische Zeitschrift, Band 30 pg. 450, see also A. Sideris, 1950, Vol.I, p. 298). However, in my opinion, both views of Chrysostomos and Dölger must be rejected. Bury sustains that the tax for the family included craft houses. I don't either completely agree with this last opinion, because the tax for the family would also depend on the height of the craft house building. H. Monnier, more reserved, accepts that house tax was only for houses. He ends up with the view that the house tax was imposed on every building and floor (Nouvelle Revue Historique Français et Étranger 1915, Vol.II, p. 351, Houmanidis, 1996, p. 197).

4. Conclusions

As we have already mentioned, Jews in Byzantium enjoyed freedom that they didn't enjoy in other countries (L. Brehier, 1970, p. 261). This attitude of Greeks to Jews continued over time, since the Seizure of Constantinople (1453) till today.

The Byzantine Empire covered a world of different peoples in East and in West. Constantinople was the center of this Empire. The byzantine culture was a mix of Hellenism and Christianity (S. Impellizzeri, 1993, p. 6). The Greek language and the ancient Greek philosophy interfered in the

byzantine culture along with the coexistence of other cultures, inside the Empire, from peoples like the Egyptians, the Syrians, the Jews, etc.

However, at first the Church was quite skeptical towards the ancient intellectual tradition due to fear of idolatry recurrence that the Emperor Julianos the Transgressor (361-363) tried to bring back unsuccessfully. We can say that there was tolerance about free thought and religious belief of human existence in Byzantium. In Western Europe, after Lateranus Conference (1215), the Jews in some regions were obliged to wear a yellow cross made of cloth in order to be distinguished from the Christians. In Byzantium, Jews didn't live as foreign body. Under these favorable circumstances, they succeeded in developing their economic activity and freely exercised their religious duties based on their holy books Ghemara and Mischna included in the general holy book of Talmud.

NOTES

1. The Crusaders of the first Crusade made their attitude towards the massacres of Hebrew people evident when they captured Jerusalem (1099); they killed the Jews that were searching sanctuary in their synagogue (Houmanidis, 1990, p.96).

2. These two plotters condemned the leader of the Templar Knights James Mollay together with the commander of Normandy Sarne, to be burnt at stake (1314), a sentence that was carried out at the "island of the Hebrews", a small island at the Seine in front of the Notre Dame in Paris, where Jews had suffered the same death together with their Rabbines. (S. Runciman, 1950-4, Vol.III, pp.434-438; Houmanidis, 1991, pp.96-104)

3. During the reign of Theodosius I the Great (379-395) the Roman Empire was divided in two parts, which were later on divided in 29 administrative regions (θέματα-themata). The western part, under his son Honorius, was divided in 12 themata and the eastern part, under his son Arcadius, in 17 themata, which

were richer and provided the empire with greater military force. In later years the number of themata increased to 38,

4. This tax (per capita) levied on Jews according to Benjamin Tudela. Damalas maintains that the kefallition was imposed only on Jewish serfs (A. Damalas, 1998, Vol.I, p.1212-26).

5. Ostrogorsky does not accept this aspect because for him the tax 'kapnikon' was imposed on the chimney. Dölger (Beitrage zur Geschichte, Leipzig-Berlin, 1927) maintains that the tax aericon was levied on the family's hearth (estia) and paid also by churces, monasteries and the charity institutions with two miliaressia (silver coin, 1 solidus gold coin weighting 4,48 gr. = 12 miliaressia). For the parity of solidus etc. Andreades, 1918,pp. 554-584; Houmanidis, 1998, Vol.VII, p. 197).

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TRADE FLOWS BETWEEN POLAND AND THE EUROPEAN UNION: THE QUESTION OF DISEQUILIBRIUM

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Abstract

Maria Bijak - Kaszuba: *Trade flows between Poland and the European Union: The question of disequilibrium.*

The most striking feature of Poland's trade relations with the European Union in the nineties was a large and steadily growing balance of trade deficit. The deficit appeared together with the liberalization of trade launched by virtue of the Europe Agreement. It is not, however, the liberalization of trade that is primarily or exclusively at the bottom of the disequilibrium. Considering internal and external circumstances accompanying the Polish economy in the 90., the disequilibrium seems to be a self-evident effect. The circumstances, in majority of cases, were conducive to imports and adverse to exports. They are connected with a relatively high growth of the Polish economy and, on the other hand, some slowing down of the EU economies, with trade liberalization on both sides, with assymetrical levels of development affecting the pattern of mutual trade, and - last but not least - with capital inflows to Poland.

JEL classification: F15, F42.

Keywords: Polish economy, disequilibrium, liberalization, Trade flows.

1. Introduction

Poland was in the first group of Central European transition countries which concluded association agreements (called "Europe Agreements") with the European Communities (the EC) in December 1991[1]. The agreements have a wide coverage. They deal with political dialogue, movement of goods, movement of workers, establishment, supply of services, payments and capital, competition, approximation of laws, economic, cultural

and financial cooperation. In terms of trade liberalization, the agreement with Poland entered into force in March 1992. The agreement didn't initiate, however, the mutual reductions of trade barriers. By then, Poland had unilaterally and considerably liberalized its trade policy; the EC countries had made some concessions, too. The association agreement consolidated previous concessions and opened prospects for further liberalization. Following a dramatic upsurge of the mutual trade flows, the EC have gained a dominant position in the Polish foreign trade. At the same time, the balance of mutual trade has radically changed: previous surplus for Poland turned into a deficit, sustained and growing[2]. It is not, however, the liberalization of trade that is primarily or exclusively at the bottom of the disequilibrium.

This paper examines Poland's deficit in trade with the European Union (the EU), its sources and economic consequences. It is organized as follows. The first section analyses size, dynamics, and pattern of Poland's net imports from the EU. The second section searches for reasons which could explain a steady growth of the disequilibrium in trade. The third and last section presents some conlusions about the nature and potential consequences of the deficit, as well as looks at the possible ways of coping with the problem.

2. The size and pattern of Poland' trade deficit

The situation evolving in the Polish-EU merchandise flows is decisive for the whole Polish exports and imports because of the major role of the EU countries as trade partners for Poland. The EU makes the main outlet for Polish exports (70,5 % in 1999)[3] and the main supply market for Polish imports (65,0 % in 1999). The EU member countries are as well the main source of capital inflows to Poland, especially direct investments, which in turn affect volume, dynamics and pattern of the mutual trade flows. From the total (cumulative) value of foreign direct investments in Poland, which amounted to $ 38,9 bln at the end of 1999, 63,6% originated from the EU countries[4].

According to the GUS (Central Statistical Office) data, trade deficit on the part of Poland appeared in 1992. Before that, the balance was favourable for Poland, amounting to $2,8 bln in 1990 and $ 0,4 bln in 1991 [GUS, 1996]. Since 1992, Poland has been net importer of goods from the EU countries, with the amount of deficit systematically growing (except for the years 1994 and 1999), what is reported in Table 1.

Table 1: Poland's trade turnover and trade balance with the European Union, 1992-1999

Specification	1992	1993	1994	1995	1996	1997	1998	1999
Exports								
Value (mln USD)	7.632	8.951	10.805	16.036	16.196	16.526	19.270	19.326
Previous year=100	-	117,3	120,7	134,4	101,0	102,0	116,6	100,3
Imports								
Value (mln USD)	8.446	10.784	12.403	18.780	23.738	26.998	31.027	29.825
Previous year=100	-	127,7	115,0	133,3	126,4	113,7	114,9	96,1
Balance								
Value (mln USD)	-814	-1.833	-1.598	-2.744	-7.542	-10.742	-11.757	-10.499
Related to exports	0,10	0,20	0,15	0,17	0,46	0,63	0,61	0,54

Source: Compiled and calculated on the basis of GUS (Central Statistical Office) data.

In 1992, the deficit in merchandise trade was equal to $ 0,8 bln, in 1998 amounted to $11,7 bln, and in 1999 shrinked slightly to $ 10,5 bln. Apart from an absolute value of net imports, it is also its ratio to exports that matters. As reported in Table 1, the ratio has changed unfavourably, with the exception of the last two years, but still the amount of yearly deficit makes more than 50 % of the amount of exports.

According to data from Table 1, the disequilibrium is directly due to a generally better import than export performance. Year 1992, in which the disequilibrium appeared, was marked by two relevant events. First, it was the beginning of economic growth in Poland (a rare phenomenon among the Central and Eastern European countries of that time), after the recession of 1990-1991 and prolonged stagnation in the 80. The following years witnessed high increments of Polish GDP[5], conducive to growing demand for imports. Second, with the beginning of March 1992, the interim agreement with the EC allowed the enforcement of trade related articles of the Europe Agreement, opening the process of a systematic merchandise trade liberalization. As the agreement provided for asymmetric liberalization in favour of the weaker partner, Poland, initially, opened its market for less than 30 % of industrial imports from the EU[6]. In 1992, tariff-free access was offered mainly to investment products, deemed necessary for the restructuring economy. Liberalization of other industrial imports from the EU was delayed, in order to ease the competition pressure on Polish manufactur-

ing, and realised, step by step, from 1995 till 1999. The liberalization was, however, intensive, because it was accompanied by general tariff reductions in the framework of the WTO[7].

   Circumstances presented above (a relatively high rate of economic growth and the liberalization of trade) explain, to a large extent, why Polish imports from the EU have shown considerable increments since 1992, and especially from 1995. The circumstances are not sufficient, however, to explain a huge and growing disequilibrium in the mutual trade. If we assume, that a high income elasticity of imports makes a typical feature of a developing economy undergoing transformation, we must ask why the respective elasticity of exports is relatively low? Polish exporters have made little use of the opportunities created by vaste and no more protected markets of manufactures in the European Union[8]. To explain the reasons of their relatively weak export performance, we need to look at the pattern of trade balance between Poland and the UE.

Table 2: Balance of trade between Poland and the European Union, by countries, 1992, 1995, 1999

Country	Year	Exports mln USD (% of total)		Imports mln USD (% of total)		Balance mln USD	Ratio balance/export
Germany	1992	4.133	(54,1)	3.798	(45,0)	335	0,08
	1995	8.777	(54,7)	7.737	(41,2)	1.040	0,12
	1999	9.903	(51,2)	11.583	(38,8)	-1.680	-0,17
Italy	1992	727	(9,5)	1.097	(13,0)	-370	-0,50
	1995	1.122	(7,0)	2.482	(13,2)	-1.360	-1,21
	1999	1.792	(9,3)	4.297	(14,4)	-2.505	-1,40
France	1992	478	(6,3)	705	(8,3)	-227	-0,47
	1995	819	(5,1)	1.421	(7,6)	-602	-0,73
	1999	1.328	(6,9)	3.134	(10,5)	-1.806	-1,36
United Kingdom	1992	556	(7,4)	1.056	(12,5)	-489	-0,86
	1995	917	(5,7)	1.503	(8,0)	-586	-0,64
	1999	1.099	(5,7)	2.105	(7,1)	-1.006	-0,92
Netherlands	1992	791	(10,4)	757	(9,0)	-34	0,04
	1995	1.289	(8,0)	1.318	(7,0)	-29	-0,02
	1999	1.446	(7,5)	1.720	(5,8)	-274	-0,19

Sweden	1992	-	-	-	-	-	-
	1995	581	(3,6)	909	(4,8)	-328	-0,56
	1999	677	(3,5)	1.446	(4,8)	-769	-1,14
Belgium	1992	352	(4,6)	390	(4,6)	-38	-0,11
	1995	555	(3,5)	746	(4,0)	-191	-0,34
	1999	760	(3,9)	1.297	(4,3)	-537	-0,71
Denmark	1992	330	(4,3)	335	(4,0)	-5	-0,01
	1995	688	(4,3)	635	(3,4)	53	0,08
	1999	843	(4,4)	826	(2,8)	17	0,02
Spain	1992	118	(1,5)	190	(2,2)	-72	-0,61
	1995	250	(1,6)	473	(2,5)	-223	-0,90
	1999	416	(2,1)	1.136	(3,8)	-720	-1,73
Austria	1992	-	-	-	-	-	-
	1995	489	(3,0)	738	(3,9)	-249	-0,51
	1999	554	(2,9)	884	(3,0)	-330	-0,60
Finland	1992	-	-	-	-	-	-
	1995	353	(2,2)	540	(2,9)	-187	-0,53
	1999	262	(1,3)	836	(2,8)	-574	-2,19
Ireland	1992	73	(1,0)	46	(0,5)	27	0,37
	1995	54	(0,3)	151	(0,8)	-97	-1,80
	1999	79	(0,4)	240	(0,8)	-161	-2,04
Greece	1992	47	(0,6)	55	(0,7)	-8	-0,17
	1995	95	(0,6)	79	(0,4)	16	0,17
	1999	97	(0,5)	104	(0,3)	-7	-0,07
Portugal	1992	12	(0,2)	5	(0,1)	7	0,58
	1995	38	(0,2)	27	(0,1)	11	0,29
	1999	43	(0,2)	140	(0,5)	-97	-2,26
Luxembourg	1992	4	(0,1)	10	(0,1)	-6	-1,50
	1995	9	(0,1)	20	(0,1)	-11	-1,22
	1999	25	(0,1)	75	(0,2)	-50	-2,00
Total EU	1992	7.632	(100,0)	8.446	(100,0)	-814	-0,11
	1995	16.036	(100,0)	18.781	(100,0)	-2.745	-0,17
	1999	19.326	(100,0)	29.825	(100,0)	-10.499	-0,54

Source: As in Table 1.

   In Table 2, balance of trade is reported by countries (which are arranged according to their role in Polish exports and imports), and in Table 3 - by sections of Polish Combined Nomenclature (PCN). Table 2 shows, that

Poland's trade with Germany, its most important partner, is not the main source of disequilibrium; the biggest deficit arises from trade flows with Italy, second largest supply and sales market for Poland. Since the beginning of Poland's association with the EC, net imports from Italy, steadily growing, have made permanent feature of our trade flows. Balance in trade with other "big" EU member countries is not much better: total Polish net imports from Italy, Germany, France and the United Kingdom amounted in 1999 to about $ 7 bln, that is two thirds of net imports from the whole EU market. Trade with the other EU member countries, with minor and short-lived exceptions, yields negative balance as well. It is not the size of a negative balance that bothers, but its relation to exports. The least favourable ratio deficit/exports pertains to trade flows with Portugal (-2,26 in 1999), Finland (-2,19), Ireland (-2,04), and Luxembourg (-2,00).

Table 3: Balance of trade between Poland and the European Union, by major PCN (PolishCombined Nomenclature) sections, 1992, 1995, 1999

Section	Year	Exports mln USD (% of total)		Imports mln USD (% of total)		Balance mln USD	Ratio balance/ exports
Agricultural products and prepared foodstuffs (sections I-IV)	1992	1.094	(14,3)	1.006	(12,0)	88	0,08
	1995	1.368	(8,5)	1.459	(7,8)	-91	-0,07
	1999	1.27	(6,6)	1.615	(5,4)	-338	-0,26
Mineral products (section V)	1992	797	(10,4)	733	(8,7)	64	0,08
	1995	1.359	(8,5)	653	(3,5)	706	0,52
	1995	1.050	(5,4)	716	(2,4)	334	0,32
Products of chemical industry (sections VI-VII)	1992	732	(10,0)	1.713	(20,3)	-981	-1,34
	1995	1.271	(7,9)	3.650	(19,4)	-2.379	-1,87
	1999	1.380	(7,1)	5.956	(20,0)	-4.576	-3,32
Wood and articles of wood (section IX)	1992	478	(6,3)	24	(0,3)	454	0,95
	1995	876	(5,5)	96	(0,5)	780	0,89
	1999	984	(5,1)	220	(0,7)	764	0,78
Pulp of wood, paper, and articles thereof (section X)	1992	95	(1,2)	326	(3,9)	-231	-2,43
	1995	324	(2,0)	1.096	(5,8)	-772	-2,38
	1999	444	(2,3)	1.450	(4,9)	-1.006	-2,27
Textiles and textile articles (section XI)	1992	650	(8,5)	264	(3,1)	386	0,59
	1995	2.515	(15,7)	2.083	(11,1)	432	0,17
	1999	2.585	(13,4)	2.336	(7,8)	249	0,10

Base metals and articles thereof (section XV)	1992	1.648	(21,6)	494	(5,9)	1.154	0,70
	1995	2.684	(16,7)	1.550	(8,3)	1.134	0,42
	1999	2.414	(12,5)	2.660	(8,9)	-246	-0,10
Products of electro-engineering industry (sections XVI-XVIII)	1992	1.335	(17,6)	3.457	(41,0)	-2.122	-1,59
	1995	3.551	(22,1)	7.054	(37,5)	-3.503	-0,99
	1999	6.341	(32,8)	12.898	(43,2)	-6.557	-1,03
Furniture, lighting articles (section XX)	1992	394	(5,2)	175	(2,1)	219	0,55
	1995	1.245	(7,8)	377	(2,0)	868	0,70
	1999	1.820	(9,4)	667	(2,2)	1.153	0,63
Others (sections VIII, XII-XIV, XIX, XXI, XXII)	1999	408	(5,3)	254	(3,0)	154	0,38
	1992	842	(5,3)	783	(4,1)	59	0,07
	1995	1.031	(5,3)	1.305	(4,4)	-274	0,27
Total (sections I-XXII)	1992	7.632	(100,0)	8.446	(100,0)	-814	0,10
	1995	16.036	(100,0)	18.780	(100,0)	-2.744	0,17
	1999	19.326	(100,0)	29.825	(100,0)	-10.499	0,54

Source: As in Table 1

Table 3 shows that the negative balance of trade is highly concentrated in two major sections: products of electro-engineering industry: machinery, equipment and instruments (PCN sections XVI-XVIII), where net imports surpassed $ 6,5 bln in 1999, and products of chemical industry (PCN sections VI and VII) with net imports of more than $ 4,5 bln. Net trade flows in the above-mentioned sections result in a deficit bigger than the total one (in all sections). At the same time, both sections show a disadvantageous and, as far as chemicals are concerned, deteriorating ratio balance/exports. It is therefore worthwhile to have a closer look at exports and imports in those branches.

Machinery, equipment and instruments make the largest group in the Polish merchandise trade with the EU (43,2 % of imports and 32,8 % of exports). Imports from the EU, including a large part of intermediate and investment goods, are intended mainly for productive use[9]. Major import items are transport equipment (notably cars), as well as parts and accessories thereof. Those imports are tariff-free in the framework of steadily growing preferential quotas and they are appropriated both to the market and car plants operating as a result of foreign direct investments[10]. Second biggest items in electro-engineering imports from the EU are directly related to the computerization of the Polish economy and society (computers, parts and accessories), as well as development of telecommunications (transmission apparatus for radio-telephony, radio-telegraphy, radio-pho-

ny and television, also electrical apparatus for line telephony and telegraphy). Predominant in Polish exports are cars, together with parts and accessories, television receivers, insulated wire, cable and other insulated electric conductors, electron valves and tubes. Those exports are visibly connected with foreign direct investments in Polish electro-engineering industries[11]; however, exports are still relatively weak, compared with a growing demand for electro-engineering imports.

Second biggest source of net imports from the EU is trade in products of the chemical industry. Compared with the volume of trade, the disequilibrium in this branch is considerably deeper than in previous case. Unbalanced trade flows pertain primarily to plastics and products thereof, pharmaceutical products, inorganic chemical semi-products, colouring matter, paints, varnishes, as well as putty and caulking compounds. They are all intermediate goods imported in large quantities, since relevant chemical branches in Poland are still undergoing modernization. Polish exports of chemicals, dominated by tyres and fertilizers (the latter sensitive to antidumping sanctions) are not enough large and dynamic to compensate for fast-growing imports.

It is not only electro-engineering and chemical industries that generate a deficit in the balance of trade; similar situation we find in products of paper industry classified under PCN section X (pulp of wood, paper, paperboard and articles thereof). Negative balance in that section surpassed $ 1 bln in 1999, and, in relation to exports, has been unfavourable, though very slowly improving. In the 90., Polish paper industry was undergoing intensive modernization, made possible, to a large extent, by direct investments of foreign capital. Therefore, similar items can be found in exports and imports. At the bottom of substantial net imports are qualitative differences between exported and imported products, which influence unit prices and thus the value of trade flows in both directions. Poland buys, for example, coated paper and paperboard from the EU, and sells to it uncoated paper and paperboard. Structural and qualitative deficiences are crucial in explaining the Polish-EU trade in base metals (PCN section XV) as well. The trade flows in section XV include primarily copper, articles thereof, and products of metallurgy. Till 1997, Poland was net exporter to the EU of the above-mentioned goods. In 1998, the situation changed and since then Poland has been net importer. The reversal was partly due to unfavourable price trends in the copper (main section XV item exported by Poland) mar-

ket, and partly to a low competitiveness of Polish metallurgical exports. The exports consist mostly of low-processed products (semi-finished products, tubes, pipes and profiles) while imports include high-processed and high-quality articles (flat-rolled products, plated or coated). According to the Polish Ministry of Economy, prices paid for imports are, on average, over twice as high as prices received for exports.

After having surveyed some deficiencies of the Polish trade with the EU, one might ask about those sectors of exchange which improve the merchandise trade balance. As reported in Table 3, there are four such sectors:

• textiles and textile articles (PCN section XI), with changeable share in total exports to the EU (13,4 % in 1999);

• miscellaneous manufactured products, primarily furniture and lighting articles (PCN section XX), with growing share in total exports (9,4% in 1999);

• mineral products (PCN section V), with decreasing share in total exports (5,4% in 1999);

• wood and articles of wood (PCN section IX), with decreasing share in total exports (5,1% in 1999).

Exports of textiles and textile articles are predominated by production of clothes, made from inputs of textiles which have been previously imported from the EU; the system is known in the EU as "outward processing traffic" (OPT). Till 1997, Polish exports were regulated by the OPT tariff-free quotas[12]. Since 1998, by virtue of the Europe Agreement there have been no tariffs and no quotas on Polish apparel exports to the EU. From the point of view of Polish apparel producers, the OPT operations promote employment and exports; they also keep our enterprises in touch with modern technology and design, favouring "learning-by-doing" effects. However, exports under the OPT system leave to Polish producers little initiative and no market power. It may therefore not be advisable for producers to perform exclusively ordered processing.

Trade in furniture and lamps has been the most promising sector in the nineties, showing a considerable and growing balance of trade surplus. High ranking of furniture and lighting industries was achieved through restructurization of production, promoted by foreign direct investments, mostly

from the EU. Foreign investors introduced Polish products into European distribution channels; as a result, the EU countries, notably Germany, are the main outlet for Polish furniture and lighting exports.

Mineral products show a balance of trade surplus with the EU due to geographical structure of this trade, with major imports (petroleum and natural gas) coming from Russia. Polish exports to the EU consist mainly of coal and coke, while imports include petroleum oils and petrols. In 1996, Polish government decided to strenghten and prolong a tariff protection of this market (to gain time for restructuring its petroleum-processing industry), invoking safeguard provisions from the Europe Agreement[13]. On the other hand, coal exports to declining West European markets were promoted through dumping, irrespective of losses it entails on the economy[14], because jobs in the mining industry are at stake. In consequence, there is no good foundation to expect net exports of mineral products in the future.

The last merchandise group (wood and articles of wood) characterized by net exports to the EU is none too promising, either. Exports consist mostly of low-processed goods, such as timber, joinery and carpentry articles, cases and pallets. That kind of goods, subject primarily to price competition, is highly susceptible to antidumping procedures. Contrary to exports, pretty small but growing imports include more processed (and better priced) particle board and fibreboard, as well as veneered panels, which make inputs for furniture production.

3. General reasons of sustained balance of trade deficit

As remarked earlier, a relatively low growth of exports as compared with imports makes the direct cause of Poland's sustained balance of trade deficit with the European Union. Considering internal and external circumstances accompanying Polish economy in the 90., the disequilibrium seems to be a self-evident effect. The circumstances, in majority of cases, were conducive to imports and averse to exports. They were connected with a relatively high growth of the Polish economy and, on the other hand, a certain slowing down of the EU economies, with a far-reaching trade liberalization exposing an overwhelming competitive edge of the EU producers on the Polish ones, with assymetrical levels of development affecting

the pattern of mutual trade, and - last but not least - with capital inflows to Poland and their real and financial consequences.

Relatively high rate of Poland's economic growth in the nineties. The economic growth started in 1992, after a long-lasting stagnancy (in the decade of 80.) and two years of recession thereafter. The economic growth was induced by a systemic transformation and restructurization of the economy, aiming at its adjustment to the market[15]. The economic growth in the transition period was accompanied by a strong pressure of domestic demand, both from consumers and investors. As home manufacturing was underdeveloped, a major part of the demand was (and still is) satisfied by imports. At the same time, high absorption by internal market was impeding exports. In the first years of the transition (1990-91), characterized by a negative rate of growth and a relatively low domestic demand, firms were forced to look for the outlets abroad. In the following years, growing real incomes were extending the market, which in turn made the pressure on exports less compelling.

Relatively slow growth in the EU member countries in the nineties. Slowing down of the economies of our trade partners was negatively affecting their demand, including demand for imports. It held true especially in case of the German economy, predominant in the EU. From the unification till 1998, German GDP never exceeded 3 % of annual growth. Far from regarding business cycles in member states as convergent, we assume that the condition of the German economy must have had a rather negative impact on other EU economies, in view of intensive interactions between them. In this context, it is useful to remember that Poland is highly dependent on its trade with Germany; as reported in Table 2, more than a half of Polish exports to the EU and about 40 % of Polish imports accrue to Germany.

Liberalization of trade between Poland and the EU. In the period 1992-1999, tariff and non-tariff barriers in the mutual trade in manufactures were gradually eliminated; with respect to agricultural products, liberalization was partial and selective. As noted earlier, liberalization process was asymmetric, giving Poland some more time to open its market of manufactured goods. Since the beginning of 1996, the EU has not been using any permanent restrictions against industrial imports from Poland[16]. Poland, on the other hand, eliminated its restrictions of trade in the period of 1995-1998. Since the beginning of 1999, Poland has not been using any permanent restraints on trade flows with the EU, except for cars[17]. Regardless of

asymmetrical liberalization, its impact seems to have been stronger on imports than on exports (see Table 1). Indices of import dynamics were particularly high in the years 1995 and 1996, marking the beginning of a radical tariff reductions by Poland. Trade liberalization should not be regarded, however, as the main force responsible for disequilibrium. It has just exposed a huge gap in competitiveness between the EU and Polish producers. A certain degree of asymmetry in the liberalization timetable was not able to compensate for it. What is more, trade concessions received by Poland were undergoing some natural erosion, as the EU was extending similar concessions to other Central and Eastern European transition countries.

   Asymmetry in the level of economic development of Poland and the EU member countries, affecting *the merchandise pattern of exports and imports.* Measured by the purchasing power parity of national currencies, Polish GDP per head amounted in 2000 to 37% of an average GDP in the EU member countries[18]. Almost two thirds of Polish imports from the EU accrued to products of the electro-engineering and chemical industries. Polish export capabilities in those industries were decidedly smaller (40 % of exports), though in case of electro-enginneering products systematically and markedly growing. In consequence, a negative trade balance in the above-mentioned sectors exceeded total net imports from the EU. Poland's specialization can be seen in merchandise sections which the best (net) export performance to the EU. They were: furniture and lighting articles, clothes, products of wood and mineral products. Exports of furniture and lamps were promoted by direct investments in these sectors and a far-reaching co-operation with foreign partners. In the case of clothes, exports were even more dependent on foreign firms' initiative, with major Polish inputs confining to workforce. In the last two sections with a positive balance of trade, export specialization consisted in shipments of raw materials (notably coal) or low-processed products (timber, wooden pallets). Price trends in the world markets of such goods are in the long run rather unfavourable for exporters. Trying to keep their market shares, exporters reduce prices, but it makes them susceptible to antidumping. Gradually decreasing share of mineral and wooden products in the Polish exports to the EU may be thus regarded as a positive result of some structural change. To sum up, the merchandise pattern of Polish exports in the nineties reflects still limited possibilities of a developing economy.

Inflows of foreign capital to Poland (real aspects). By virtue of the Europe Agreement (and owing to Polish membership in the OECD), Poland was obliged to liberalize progressively capital inflows and outflows; together with other circumstances, it was encouraging foreign investments in our country. The best part of capital inflows belongs to long-term investments, mostly foreign direct investments (FDI). Theoretically, the effect of FDI on international trade can be either trade-creating, with investments and trade complementary, or trade-supplanting, with investments and trade as substitutes [Gray, 1996, p.253]. Trade-creating FDI will augment the volume of foreign trade flows (both imports and exports) of the host country. Trade-supplanting FDI substitute for trade flows; as they are the outcome of protection of the home market, they are not relevant to trade relations between Poland and the EU. In case of the trade-creating FDI, their impact on imports and exports of the host country is in practice differently timed. Foreign direct investments, notably in an initial stage of their activity, involve intensive imports of intermediate products which make inputs to the production. With a large-scale and numerous investments, such induced imports tend to worsen the trade balance. As observed, the above-mentioned effect appeared in most countries opening to capital flows and showing an accelerated rate of economic growth [Szczepańska, Tymoczko, 1999]. In subsequent stages of the FDI activity in the host countries, its impact on production-supplying imports may grow weaker, as some part of imports will be substituted by supplies from the local market. Analysis of the product pattern of trade between Poland and the EU reveals, in some sectors, a pronounced trade-creating impact of FDI, primarily on imports. In electro-engineering and chemical industries, where the balance of trade showed the largest deficit, imports were realized mostly by firms with foreign capital participation (see foot-note 10). Trade-creating effect of FDI was, to a large extent, at the bottom of a particularly disatvantegous (for Poland) balance of trade with Italy, the country of origin of the second biggest investor in Poland - Fiat (the PAIZ data, as of December 31, 1999). On the other hand, the product pattern of the Polish exports reveals that in certain industrial sectors FDI start to produce export effects ("export harvest") as well. The effects consist in growing exports performed by firms with foreign capital participation. They are clearly visible in electro-engineering industry, notably in car industry, as well as in

furniture and lighting industries, where exports grow, both in absolute and relative terms. To sum up, it is difficult to overestimate the impact of FDI on the Polish trade performance and the balance of trade deficit. It is particularly relevant to the Polish-EU trade of which the best part is realized by enterprises with foreign capital participation[19].

  Capital inflows to Poland (financial aspect). Inflows of foreign capital to the economy, irrespective of their forms, exert an appreciation pressure on a local currency [Rostowski, 2001, pp. 35-51]. With other determinants unchanged and with flexible foreign exchange rate, it will promote imports and discourage exports. In this context, direct investments are the least "effective", because they consist, partly, of financial inflows (eg. payments connected with privatization transactions), and, partly, of investments in kind (assets in kind brought by foreign investors to their local affiliates). Contrary to the former which enter the foreign-exchange market and increase demand for local currency, the latter, financing some part of merchandise imports, do not influence directly the value of a local currency. Long-term portfolio investments of foreign capital (put into treasury securities or parcels of shares) will not influence it directly, either. It is mostly foreign investments of a short-term portfolio capital that may affect adversely the equilibrium in trade [Lutkowski, 1998]. In the case of Poland, the pattern of capital inflows is still favourable (more than 70 % of foreign capital invested in our country accrues to FDI and long-term portfolio investments). To some extent, however, short-term capital inflows, responsible for the upward movement of Polish currency, may foster the disequilibrium in trade.

4. Conclusions

  Poland's deficit in its merchandise trade with the European Union is of lasting and growing (except for the last analysed year) nature. As demonstrated in this paper, there is a cluster of interrelated reasons for this state of affairs. Among them, a relatively low competitiveness of the Polish manufacturing, resulting from a relatively low (compared with the EU) development level of the Polish economy, seems to be decisive. A limited competitive capacity of Polish exports results both from their unfavourable pattern,

reflecting traditional comparative advantages, and, in cases of more advanced production sectors, from qualitative deficiences. On the other side, there has been an extensive and fast-growing demand for imports, above all for intermediate goods, necessary as inputs to production (undergoing restructurization and modernization). Under the circumstances, the liberalization of trade has just revealed the above-mentioned tendencies.

To assess properly Poland's balance of trade deficit it is necessary to see it in a larger economic context, the more so because it concerns all directions of Polish foreign trade, not only with the EU[20]. The question of deficit does not refer solely to foreign trade, not even to external balance of the economy. It is the question of a general economic stability, composed of internal and external equilibriums. The internal equilibrium consists in balanced demand and supply, and the external one - in balanced imports and exports. Foreign trade deficit reflects then a disturbed external equilibrium, but at the bottom of disturbances is necessarily some internal disequilibrium. Imports grow fast because they are demanded by the transforming and developing economy; the demand, however, cannot be satisfied by domestic supplies. Increasing demand may either give rise to a higher rate of inflation, or, in case of effective anti-inflationary policies and minor barriers to trade, it may spill-over on foreign supplies, making imports grow. Exports are not able to match them, because the domestic output is either absorbed by the domestic market or is not competitive enough to enter foreign (demanding) markets. In effect, major (internal and external) determinants influencing Polish economy in the nineties were responsible for the analysed disequilibrium.

In 1992-1999, unbalanced trade flows (of which net imports from the EU make the best part) did not give rise to any serious strains on the balance of payments, as evidenced by relatively high and stable official foreign-exchange reserves. This was primarily due to foreign capital investments and so called "unclassified transactions on current account"[21], compensating for net merchandise and service imports. However, while foreign investments continue to flow to our country, unclassified transactions clearly shrink. Besides, in the next few years till 2008, Poland will be obliged to pay larger than ever and sharply growing sums in foreign currencies to service its external debt. In this context, the deficit of trade is growing problematic. It is problematic from the point of view of Polish labour market, as well.

The long-lasting and considerable EU' trade surplus with Poland may be considered as a way of exporting unemployment to Poland [KarasiPska-Fendler and others, 2000, p. 175], though a certain loss of ineffective jobs cannot be avoided, as a necessary result of the economic transformation. The elasticity of the labour market in Poland is far from being perfect and it undoubtedly contributes to its malfunctionning; this, in turn, is undermining the competitiveness of the economy and its export performance.

How to reverse the rising trend of net imports? There is no simple response to the question. Import restrictions do not come into consideration. Export-promoting policies offering preferences to exporters are not advisable, either. They are nothing less than export subsidies, involving all negative (internal and international) consequences. They further put, unduly, non-exporting domestic businesses, exposed as well to foreign competition (in this case coming from imports), in a difficult position[22]. It seems that the economically right remedy should be a tighter fiscal policy, theoretically able to hit at the very source of disequilibrium and fill a gap between the home demand and supply. A tighter fiscal policy is, however, a very difficult task to perform from the social and political points of view. The alternative economic option is a restrictive monetary policy, aimed at reducing an excessive demand. This option, however, appears to be less suitable, since it promotes an appreciation of the domestic currency and thus encourages imports. Besides, considering a not-far-away perspective of Poland's accession to the European Communities, and, consequently, to the EMU, the monetary policy should not be regarded as a long-term instrument at the exclusive disposal of Polish monetary authorities. Both options, tighter fiscal and monetary policies, might be socially unacceptable in a country, like Poland, with substantial and growing unemployment. As it is very probable that even more people in Poland would lose their jobs after the accession, in consequence of confrontation with highly competitive UE economies, the labour market and its performance should make the prime objective of Polish economic policies. Well-educated, mobile, and flexible by occupation labour would make a strong asset in a succesful transition to more competitive economy, with less disequilibrium in trade.

NOTES

1. Europe Agreements were concluded also with Hungary, the Czech Republic, Slovakia, and, successively, with Romania, Bulgaria, Estonia, Lithuania, Latvia, Slovenia, and (most recently) with Macedonia.

2. The same applies to other Central and Eastern European transition countries, associated with the EC: contrary to the pre-association period, they are net merchandise importers from the EC.

3. A relative importance of Poland as a trade partner of the European Union is incomparably smaller: in 1999 Poland was fourth export market and seventh import market for the EU.

4. According to the PAIZ (Polish Agency for Foreign Investment). PAIZ collects data about transactions above USD 1 mln.

5. In the period 1992-99, the Polish economy increased, respectively, by 1,9 %, 3,8 %, 5,2 %, 7,0 %, 6,0 %, 6,8 %, 4,8 %, and 4,0 %.

6. For details of the Polish-EU liberalization process, see [Kawecka-Wyrzykowska, 1999, chapter 1].

7. Liberalization of tariffs in the framework of the WTO concerns tariff rates used *erga omnes*. Those rates make basis for the reductions ensuing from the Europe Agreement.

8. In March 1993, the European Union abolished import duties on about 45 % of its manufacturing imports from Poland. Tariffs on other imported manufactures were abolished gradually in the next years. Since 1998, the EU has not used any permanent restrictions on its industrial imports from Poland. However, the EU has applied some temporal measures of contingent protection (mainly antidumping) against imported Polish manufactures.

9. According to the Polish Ministry of Economy, overall proportion of intermediate and investment goods in Polish imports was close to 80 % in the period of 1995-1999, with intermediate goods having the lion's share (not less than 63 %). The remaining 20 % of imports consisted of consumer goods. The classifi-

cation of import flows is far from perfect, as it is difficult to draw a clear-cut line between consumer and productive goods (certain investment goods, such as cars and computers may as well serve consumer ends).

10. Major Polish importers in the electro-engineering industries are: Fiat Auto Poland Inc. Bielsko-Biala, Daewoo-FSO Poland Warsaw, Volkswagen Poznań Ltd., General Motors Ltd., Renault Polska Ltd. Warsaw. They produce and/or assemble cars.

11. To major exporters of electro-engineering products belong: Fiat Auto Poland Inc. Bielsko-Biala, Philips Consumer Ltd. Kwidzyń, Volkswagen PoznaP Ltd., Thomson Polcolor Ltd. Piaseczno, Philips Lighting Inc. Pila.

12. OPT quotas did not actually constitute a non-tariff barrier to trade, because of their relatively low utilization rates - the ratios of actual shipments to quotas for each category. Generally, quotas were larger than the actual quantities exported to the EU. However, quotas could be regarded as a nuisance for both exporters and importers because they were obliged to fulfil the formalities. For details of the Polish-EU trade in textiles under the OPT quotas, see [Bijak-Kaszuba, 1996, pp. 101-109].

13. According to the timetable of tariff liberalization written down in the Europe Ageement, imports of petrochemicals should have been free since 1999, in fact they were not free until the end of 2000. In 1996-2000, import duties were higher as compared to those from the Europe Agreement.

14. As prices in the world markets decrease, exports of coal bring growing losses, because production costs (differentiated according to producers) exceed, to various degree, prices received for exports. Charging higher prices for coal in the home market, producers compensate themselves for losses incurred in exports. For details, see [Ciszewska, 1999, p. B2], [Bielecki, 2000, p. B2].

15. For more details see [Hyz, A., Gikas, G., 1995, pp. 187-200]

16. The only exception were textiles and clothes, where liberalization was a little slower: import duties were applied till the end of 1996, and OPT quotas - till the end of 1997.

17. Systematically decreasing import duties were accompanied by systematically increasing preferential (tariff-free) quotas on cars imported from the EU. Since the beginning of 2002, there will be no tariffs on cars from the EU.

18. According to the European Commission data.

19. According to the Ministry of Economy data covering 1998, FDI registered in Poland realized 52,4 % of total exports to the EU and 57,8 % of total imports from the EU. Their participation in balance of trade deficit amounted to 66,7 %.

20. In 1999, total negative balance of Polish foreign trade amounted to $ 18,5 bln. See [GUS, 2000].

21. Unclassified transactions (on current account) represent net value of foreign currencies purchased from natural persons and sold to them by Polish banks and exchange offices. The main source of foreign currencies were market-place sales up-country and sales of goods and services in border-towns. According to the GUS data for years 1991-1999, unclassified net transactions reached their peak (more than $ 7 bln) in 1995, than decreased from year to year, falling to $ 3,6 bln in 1999. See [GUS, 2000].

22. The industrial policies should rather aim at creating an economic environment which would encourage enterprising people, without predestinating certain sectors of economy for preferential treatment.

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THE MANAGERIAL CONTROL PROCESS IN INTERNATIONAL COMPANIES

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Abstract

George Papanikolaou - Apostolos Kiohos: *The managerial control process in international companies*

The objective of managerial control is to ensure that plans are implemented correctly. Controls focus on means to verify and correct actions that differ from established plans.

Controls are designed to reduce uncertainty, increase predictability, and ensure that behaviors originating in separate parts of the organization are compatible and support of common organizational goals despite physical, psychic, and temporal distances.

In this article, the focus is on the parent company's managerial control over its foreign subsidiaries. The article, after a general discussion of the need for, and importance of international controls, examines first the salient features of the managerial control process. Then, because multinational companies experience problems controlling their far-flung operations, it considers those problems and their causes. The article next includes a review of the typical characteristics of control systems used by international companies, and then concludes with some suggestions for improving the international control process.

JEL classification: M00

Keywords: control process, managerial control, auditing and management.

1. Introduction

The control process is intended to allow actual activities to be compared with planned activities. Organizations use the control process to keep them on the path to achieving their objectives. Planning and controlling therefore are closely linked. Planning and controlling therefore are closely linked the planning process sets forth the strategies and goals of the organization and defines the means to attain them. The control process measures progress toward goal, identifies any deviations in the progress, and at-

tempts to identify the causes of the deviations. The control process alerts management when corrective action is needed or when strategies and goals, or the means to attain them, need to be reevaluated.

Control is fundamental to effective operations in any organization because it keeps the enterprise within a manageable range of planned results. It is of particular importance in international firms because of the complexity of their operations and the physical and cultural distance between the various parts of the organization. The international business, operating in a variety of locations around the world, easily can find its varying operations acting on their own with little regard for the objectives of the enterprise as a whole. A good control system can help minimize the degree to which this occurs.

Control systems consist of a variety of measures that are designed systematically to evaluate actual performance relative to desired or planned performance. Numerous methods can be used to perform this evaluation, and international and domestic firms may use the same method(s). Choosing the best control methods for an international firm can be more complex than for a domestic firm because of the cultural and national differences that exist at the international level. An international firm's control systems need to be designed so that they are compatible with all of the cultural and national requirements in different locations.

Controls increase in importance as firms increase in internal complexity and face increasingly complex external environments. In addition, control is particularly relevant when a substantial degree of delegation of authority is required and where the environment changes frequently. These factors contribute to the need for a formal system of controls to ensure that the firm is moving in the desired direction.

A **complex internal environment** that involves substantial delegation of authority provides many opportunities for individuals or groups to act in ways that are not consistent with the organization's goals, either intentionally or unwittingly. An effective system of controls limits the likelihood of this happening by measuring deviations from plans and alerting managers to them. A complex external environment that is changing can make it difficult to achieve desired targets, but it also can provide new and unforeseen opportunities. An effective system of controls identifies deviations so that timely corrective action can be taken or goals can be changed to be able to take advantage of new opportunities.

2. The Managerial Control Process

Managerial control is a process directed toward ensuring that operations and personnel adhere to parent company plans. A control system is essential because the future is uncertain. Assumptions about the internal and external environment that were at one time the basis of a forecast may prove invalid, strategies may not be applicable, and budgets and programs may not be effective. Managerial control is a process that evaluates performance and takes corrective action when performance differs significantly from the company's plans. With managerial control, any deviations from forecasts, objectives, or plans can be detected early and corrected with minimum difficulty.

Managerial control involves several management skills: planning, coordinating, communicating, processing and evaluating information, and influencing people.

There are four main elements in the managerial control process: (Gannon, 1977, p. 140).

1. The setting of standards.

2. The development of devices or techniques to monitor the performance of an individual or an organizational system.

3. The comparison of performance measures obtained from monitoring devices to the company's plans in order to determine if current performance is sufficiently close to what was planned.

4. The employment of effectuating or action devices that can be used to correct significant deviations in performance.

There is a close relationship between managerial control and planning. Managerial control depends on the objectives set forth in tactical plans, which in turn are derived from the strategic plans of the organization. Tactical plans are for the short-term contributions of each functional area to the strategic plans, goals, and objectives.

2.1. Setting the Standards

The first step in the control process is the setting of standards. These standards are derived from the objectives defined in the planning process. With-

out a definition of objectives, there can be no formulation of standards.

After standards are formulated, a hierarchy of degrees of importance needs to be established. However, it would be inefficient and unrealistic to set specific standards for every organizational activity. Instead, management should continuously monitor the performance of activities in key areas, or those it considers to be essential. Whatever is not considered essential to the attainment of a company's objectives could be controlled by "exception", whereby monitoring is periodic and on a sample basis (Drucer, 1977, p. 424). In key areas, standards need to be as concrete and as specific as possible, while taking into consideration the fact that some key areas, such as management development, cannot be expressed in specific and concrete terms (Steiner, 1979, p. 268).

2.2. Monitoring Performance

Once standards have been established, the next step is the development of techniques to monitor and accurately describe performance. Budgets, managerial audits, and financial statements are the main measuring devices used to assess the performance of organizational systems. A budget is a "detailed listing of the resources or money assigned to a particular project or unit" (Gannon, 1973, p. 143). Here, standards of performance are translated into euro amounts for each item in the budget. However, the dynamic, changing character of a business environment necessitates some flexibility with budgets.

There are several methods for making budgets flexible without eventually losing managerial control, such as the adoption of supplemental budgets, alternative budgets, and variable expense budgets.

2.3. Comparing Performance to Plan

The third step in the managerial control process is comparing the performance measures obtained from the different monitoring devices to the company's objectives, and evaluating, whether current performance is sufficiently close to the company's original plan. Management must decide how much variation between standard and actual performance is tolerable, and what "sufficiently close" means for the organization.

Changes in the external environment may affect the limits of possible performance, which in turn may necessitate a change in the performance standards. Once the limits of the performance are altered, management must decide

how the standards of measurement should be altered. Naturally, when the external environment does not deviate from the forecast, the task of managerial control is simply to evaluate whether performance is within acceptable limits.

Another aspect of the evaluation phase of the control process is related to **feedback** and **feedforward controls**. With **feedback controls**, the focus is on information about events that have already occurred, such as production and actual sales. This information is compared with a standard of performance in order to make necessary corrections for the future. For example, feedback control is typically used to monitor the productivity and performance of a factory worker against a preset production rate.

Feedforward controls are different in that the deviations from standards are anticipated or predicted before they occur. When those conditions do occur, certain actions are scheduled to take place in anticipation of the outcome of the first occurrence. For example, when sales volume reaches a predetermined level, management is automatically obliged to increase the level of inventory. This action is taken to prevent inventories from running out, a situation that would otherwise occur as the result of the first occurrence-the sales increase. "Feedback control cures problems: feedforward control prevents them" (Gannon, 1977, p. 141). Companies use both types of controls, although feedback is more common because it is less complicated and requires less forecasting.

From this discussion, it is apparent that accurate communication and a pervasive managerial information system are essential in management control. Management cannot appraise, compare, or correct performance without the proper reporting of appropriate and meaningful information.

2.4. Correcting the Deviations

The fourth step in the control process is correcting significant deviations from the standards. For this step, effectuating or action devices must be employed. The application of action devices requires many management skills such as decision-making, persuading, effective communication, and so on. When a subsystem of an organization needs help, the corrective action might be to use different budgeting techniques, or to impose control mechanisms on costs, expenses, and so on. When the deviation concerns organizational personnel, the action devices can be either positive (promotions, salary increases, increased responsibility, and special privileges) or nega-

tive (reprimands, withdrawal of privileges, demotions, salary reductions, and termination of employment), (Gannon, 1977, p. 157).

It is essential to recognize the overriding human dimension in the managerial control process. The steps or elements in the control process are not automatic, but are activated by management. Monitoring, comparing, and action devices depend on human intervention. The necessary communication is between people. The effectiveness of the control system depends on the acceptance of the system as necessary, legitimate, and appropriate by the members of the organization. This human dimension is most significant in the managerial process in a multinational company.

3. Problems of Control in International Company

Control and the problems associated with it are far more complex in a multinational company than in one that is purely domestic because the multinational operates in more than one cultural, economic, political, and legal environment. Let us examine a few of the most important international variables having a major negative impact on the flow of information between headquarters and subsidiaries. These variables, in turn, influence the effectiveness of the international company's control system.

Despite the sophistication and speed of contemporary communication systems, the geographic distance between a parent company and a foreign affiliate continues to cause communication distortion. Differences in language between the parent company and its foreign affiliates are also responsible for distortions in communication. Language barriers caused by language differences involve both the content and the meaning of messages. Many ideas and concepts are not easily translatable from one language to another. Because of geographic distances, there is little face-to-face communication and the messages of nonverbal communication are lost. Problems are also caused by misunderstanding the communication habits of people in other cultures. Cultural distance is as significant as geographic distance in creating communication distortions. Lack of understanding and acceptance of the cultural values of a group may impair a manager's ability to evaluate information accurately, to judge performance fairly, and to make valid decisions about performance. This failure could create problems in an

international company in the area of employee performance appraisal.

Communication distortion between the parent company and a foreign affiliate may occur because of the differing frames of reference of these two organizational units. The parent company may perceive each foreign affiliate as just one of many, and therefore may have a tendency to view each affiliate's problems in light of the company's entire global network of operations. However, foreign affiliate heads may view the problems of their own operations as being very important to them and their affiliates. Both the parent company and the affiliate heads may try to communicate their feelings and views to each other without much success because each could be communicating from a different frame of reference.

4. Characteristics of Control Systems in International Companies

Multinational companies use a variety of control systems to monitor and change the performance of their foreign subsidiaries. Some of these controls are direct controls whereas others can be categorized as indirect.

4.1. Direct Controls

Direct controls include the use of such devices as periodic meetings, visits by home country executives to foreign affiliates, and the staffing of foreign affiliates by home country nationals. Controls can be exercised by holding management meetings to discus the performance of foreign affiliates.

4.2. Indirect Controls

The preceding paragraph dealt with direct controls. Companies also use indirect controls to control foreign subsidiaries. These include various reports, that each foreign subsidiary is expected to submit to top management detailing its performance during a certain period. Other forms of indirect controls include a whole range of budgetary and financial controls that are imposed through budgets, and various types of financial statements such as a balance sheet, profit-and-loss statement, cash budget, and an exhaustive set of financial ratios depicting the financial health of the subsidiary.

Three different sets of financial statements are usually required from subsidiaries to meet different needs. The first set of statements is prepared to

meet the national accounting standards and procedures prescribed by law and other professional organizations in the host country. Use of national accounting standards also facilitates management's evaluation of a subsidiary's performance against its local competitors.

The second set of financial statements is prepared to comply with the accounting principles and standards required by the home country. For this compliance, accounts have to be restated and modified according to the home country's requirements. Only after these adjustments are made can financial statements of subsidiaries be deemed adequate for consolidation with those of the parent company, and for comparison with the relative performance of several subsidiaries.

A subsidiary prepares a third set of statements to meet the financial consolidation requirements of the home country. For consolidation, financial statements denominated in the host country's currency need to be translated into the currency of the home country. In this way, financial statements have a common basis of valuation.

Most companies use returns on investment and profits as the dominant criteria for an evaluation of the performance of a foreign affiliate. A study conducted by Robins and Stobaugh of 150 companies with foreign operations showed that 95 percent judge their foreign subsidiaries on precisely the same basis as domestic subsidiaries and, almost without exception, they use a form of return on investment (ROI) as their main measure of performance (Robbins and Stobaugh, 1973, p. 82). However, the reported profits of a foreign subsidiary and its ROI may not, and very rarely do, reflect its true performance. What follows is a discussion of why this is the case.

5. Measures of Performance: Reported Profits and ROI

There are many decisions made above the subsidiary level at the parent company or regional headquarters that affect the operations of a subsidiary. Take, for example, the manipulation by the parent company or regional headquarters of the transfer prices of raw materials, components, or products in intracompany transactions. A higher-than-arm's-length price might be charged on exports made by a subsidiary located in a low income tax country to a subsidiary located in a country that has high income tax rates. Other things being equal, this maneuver would result in lower profits

for the importing subsidiary, lowering its taxes, and higher profits for the exporting subsidiary. However, the important point is that the difference in tax rates could result in maximizing overall corporate profits.

Transfer prices are manipulated upward or downward depending on whether the parent company wishes to inject cash into or remove cash from a subsidiary. Prices placed by a subsidiary on imports from a related subsidiary are raised if the multinational company wishes to move funds from the receiver to the seller, but they are lowered if the objective is to keep funds in the importing subsidiary. Similarly, prices on exports from a subsidiary to a related subsidiary are raised if the multinational company wishes to move funds from the importer to the exporter. Multinational companies have been known to use transfer pricing for moving excess cash from subsidiaries located in countries with weak currencies to countries with strong currencies in order to protect the value of their current assets. Transfer prices are also manipulated in order to give a better credit rating to a foreign subsidiary. Showing that a subsidiary has a good record of earnings makes it easier for it to borrow money in local money markets.

These are some of the ways in which transfer prices are used advantageously by multinational companies. However, transfer prices can create serious internal management control problems, because the manipulation of transfer prices forces the subsidiaries it affects to show profits that are allocated to them rather than actually earned by them. Hence, allocated profits reported by subsidiaries should not be used to measure their performance, because they do not reflect the real performance of the subsidiaries being monitored.

It is possible that a foreign country could have severe inflation for months or years without any devaluation of its currency. This situation could help a subsidiary in that country to earn high profits, but they would rightly be attributable to the high inflation rate rather than good management. On the other hand, when devaluation of the local currency vis-à-vis euro occurs within a given accounting period, the subsidiary, although well managed and profitable in terms of the local currency, may show a loss when its income statement is translated into euro. This situation could result in a faulty evaluation of the subsidiary's management. What further complicates this problem is that, although inflation and deflation generally tend to be approximately equal in magnitude in the long run, they are rarely exactly equal within a given period to time. More often than not, de-

valuations are inadequate to compensate for domestic inflation.

The profitability criterion may have to be modified for a subsidiary that is located in a country where the government lets it be known that it expects the subsidiary to make positive contributions to the nation's economy. This requirement may compel the subsidiary to engage in activities that may not contribute to its short-run profitability, such as a maximum use of locally produced components (even though they may not meet quality requirements) and a no-layoff policy for the local labor force.

There are many companywide logistical decisions that are actually made above the subsidiary level but that affect the subsidiary's profitability for better or worse. For example, executives at the parent company level might decide to serve third markets that were previously served by subsidiary A, by exports from subsidiary B. This turn of events would adversely affect the sales volume and consequently the profits of subsidiary A. It would therefore be erroneous to assume that the reported profits of subsidiary A and subsidiary B reflect the performance of their respective managements without taking into consideration the impact on the subsidiaries' operations of the parent company's decision to shift exports to third markets from subsidiary A to subsidiary B.

6. Designing an Effective Control System.

An effective control system cannot rely upon reported profits and ROI as the dominant measures of performance of a foreign subsidiary, because the corporate headquarters of the company, rather than the subsidiary manager, makes most of the major decisions affecting the profitability of the subsidiary. To obtain a more accurate picture of a subsidiary's performance one must be certain to eliminate extraneous factors-results, positive or negative, caused by decisions made above the subsidiary level, or results due to environmental variables, such as unprecedented fluctuations in the price of raw materials (for example, the unexpected sharp increase in the price of petroleum in 1974), or results due to government actions over which subsidiary management could not exercise any control. Thus, a subsidiary manager should be held accountable only for results that were caused by actions that he or she could initiate, without external interference, and by decisions that he or she could make unilaterally. The profit-and-loss statement or the ROI

of a subsidiary should be adjusted to reflect its actual performance, taking into account the above-mentioned factors. It is quite conceivable, under such a system, for subsidiary managers to be rated quite favorably in spite of their having a poor profit-and-loss statement. The opposite is also possible; a manager who shows huge profits may still be judged a poor manager if his or her performance warrants such a judgment.

In addition to financial measures, an assessment should also use nonfinancial measures of performance, such as market share, productivity, relations with the host country government, public image, employee morale, union relations, community involvement, and so on. Most companies do take into account some nonfinancial factors. However, it might be advisable to formalize the process, with scorecard ratings for all subsidiaries based on the same broad range of variables. Finally, the level of performance expected from a foreign subsidiary in the following year should consider the characteristics of its environment and how it is likely to change from the current year. Thus, an environment that was generally favorable one year might be expected to change the worse the following year, and the level of performance expected should be appropriately lowered as well. Not doing so could lead to unhealthy pressure on the subsidiary manager, perhaps inducing him or her to make decisions about maintenance expenditures or service to customers or the funding of process improvements that are detrimental in the long run to both the subsidiary and the company as a whole.

The control procedures and techniques to be used should be understandable and acceptable to the subsidiary heads concerned, and the subsidiary heads should actively participate in formulating them. Each subsidiary should be given realistic objectives that take into account its internal and external environment. The control system should detect and report deviations from subsidiary plans as soon as, or before, they occur. This information should then be made available to higher management and to the subsidiary head. The control system should not be allowed to stagnate, but should be revised and improved as changes in the subsidiary's environment require. Top management must tie compensation to results actually achieved, and outstanding performance must be tangibly rewarded.

7. Conclusions

In this article we looked at the managerial control process in an interna-

tional context. The focus was on the problems and characteristics of control systems adopted by multinational companies in order to manage their foreign subsidiaries, with emphasis on ways to improve the process.

Managerial control is the process of ensuring that actual performance is equal to planned performance. The purpose of control is to facilitate the implementation of plans by continuously monitoring the performance of the people responsible for carrying them out.

There are four principal elements in the control process: (1) establishing standards against which performance is to be measured, (2) developing devices or techniques to monitor individual or organizational performance, (3) comparing actual performance with planned performance, and (4) taking corrective action to eliminate significant deviations of performance from plans.

The process of control and the problems associated with it are far more complex in an international company than in its purely domestic counterpart because of the multiple cultural, economic, political, and legal environments in which its subsidiaries operate. Several divisive factors, such as geographic distance, language barriers, cultural distance, and differing frames of reference between the parent company and foreign subsidiary managers are responsible for distortion in the information that is required for control purposes.

International companies use several forms of monitoring devices to control their foreign subsidiaries. Among the direct controls commonly used are periodic meetings at headquarters between subsidiary and regional heads and corporate executives, visits by corporate executives to foreign affiliates, the staffing of subsidiaries with home country nationals, and the organizational structure. Indirect controls include such devices as periodic reports from subsidiaries detailing their performance for a given period, a range of financial controls such as budgetary control and financial statements, and financial controls such as budgetary control and financial statements, and financial ratios that depict the financial health of an operating unit.

Most companies use profits and return-on-investment figures as the two dominant criteria to evaluate the performance of subsidiaries. However, these measures may not accurately reflect the real performance level of a subsidiary because corporate or regional managers, not the subsidiary manager, make many significant decisions that affect the subsidiary's performance. Also, there may well be forces in the subsidiary's environment that the subsidiary manager cannot control, but that significantly affect, favorably or unfavorably, the subsidiary's performance. In other cases, the

subsidiary may have been established or directed to fulfill a specific strategic intent of the parent, such as a "launching pad" for confronting a strong competitor, that is not necessarily intended to be profitable in its own right. Therefore, the profit-and-loss statement or the ROI of a foreign subsidiary should be adjusted to reflect its actual performance by removing from consideration positive or negative results that were due to forces or factors beyond the control of the subsidiary manager.

Nonfinancial measures, such as market share and productivity, should be used in conjunction with the financial measures. The performance level expected from a subsidiary should change from year to year depending ton the characteristics of the environment in which it will have to operate from one year to the next.

The choice of strategic controls on a subsidiary will also depend on whether the subsidiary is highly dependent on the parent, highly independent from the parent, or whether there is a high degree of interdependence between the two. Substantive controls and control by means of organizational context can be balanced as appropriate to each relationship.

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BANKS IN ANCIENT GREECE

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Abstract

Costas A. Rigas - Eleni Riga: *Banks in ancient Greece.*

In this paper we describe the banks in ancient Greece and hellenistic times.
The structure of this paper is as follows:
After the introduction we present the sacred, private and public banks in classical age.
Some information is given about the banks and bankers in Athens-Piraeus and about the loans in classical times.
Finally we describe the sacred, private and public banks in the hellenistic age.
JEL classification: N00.
Keywords: private banks, public banks, hellenistic age.

1. Introduction

Many bank acts date from age-old times.

In ancient Babylon, civilians used to entrust their properties to be kept to the "thesaure" of the temples.

Since 2 000 B.C. onwards, deposits and loans of products were in use in Babylon.

The invention of currency by the Greek city-states during the 7th century B.C. favoured the formation of banks[1]-[3].

2. The term "trapeza" (bank)

The term "trapeza" (bank) originates from Antiquity. The people dealing

with monetary commercial acts used to carry out their transactions on a table, a "trapeza". From this table comes the term trapeza, bank[4].

3. Money-changers

After the invention of currency, in the 7th century B.C., several city-states started coining their own currency. The large number of different coins made the presence of a money-changer or tester indispensable.

A money-changer:

1. distinquished the counterfeit coins from the genuine ones,
2. was aware of the denominations and the weight of every city-state's currency,
3. defined the currency value in connection with the currency of the city-state in which the transaction was realized.

For the testing and the money-exchange, money-changers received a commission of 5%-6% of the currency value. There was an additional commission if the exchange was realized between coins made of different metals[5]. The Byzantians granted, probably on 527 B.C., the monopoly of the money-exchange profession to a money-changer of their city. Since then, a number of money-changers became bankers[6].

4. Sacred banks in the classical age

Since the 6th century B.C., some civilians used to deposit several amounts of money to be kept in ancient Greek sanctuaries.

Thus, they came into existence the banks of the temples, the so-called "sacred banks"[7]-[8].

During the classical age, the temples which realized bank acts exceeded 25 in number. Temples performing bank acts existed in Athens, Eleysis, Ramnous, Myrrinous, Olympia, Delphoi, Thivai and elsewhere. As far as the islands are concerned, sacred banks existed in Delos, Rodos, Samos and in other places.

Generally, the banks acts of the temples included deposits, loans, money-exchange, and in specific situations, coinage.

Besides civilians, several cities in need of money addressed to the temples for loaning.

The Apollo temple in Delos, the oracle at Delphoi, the sanctuary of Olympia and the temple of Athena Pallada at the Acropolis were known for lending money to cities[9]-[11].

5. Private banks in the classical age

5.1. The banker's profession

The practice of deposing money to the sacred banks, which offered security but not interest, was weakened due to the activities of some individuals, mainly money - changers.

The fact that they paid interest and they rendered interest-bearing loans led to the formation of the first private banks[12]. The sacred banks adjusted rather quickly to the new conditions and, at least a part of them, paid then interest to the deposits.

Despite that, sacred banks were disadvantageous compared to the private ones, as the former, before every big transaction, should take before-hand the approval of the city authorities where the sanctuaries belonged.

However, this was time consuming. So, the people interested should address to the private banks or other individuals.

Monetary economy had a rapid development in the classical age.

Every city had the aspiration to create its own currency. Thus, during the classical and Hellenistic age there were at least 15 monetary systems and over 2,500 different type of coins[13]-[16].

In the classical age, testers-bankers are known to exist in Athens, Corinth, Delphoi, Aegina, Byzantion, Olvia and in the Atarnea of Asia Minor.

The bank of Byzantion was granted by the city the exclusive right to act as money-changer and to exchange currencies[17]-[18].

In general, bankers were those who:

1. knew the metals and their value in the international market.

2. were aware of the coin origin.

3. were capable of distinguishing counterfeit coins and of detecting the less-weight or worn coins.

4. exchange foreign currencies

5. lent and borrowed interest-bearing amounts of money.

6. helped in drawing up the agreement between lenders and borrowers.

7. acted as guarantors (trustees) in the agreements between lenders and borrowers.

8. realized payments within or outside the city-state.

9. opened running accounts to their clients.

10. took up the duty of property management.

11. undertook several public contract works.

12. implemented other financial acts, etc.

On the whole, bankers were rich land-owners or merchants.

Usually, a banker's work was executed by other people as well, following the order of the banker. Those people were probably slaves, the so-called "those who sit on the table". Sometimes, these slaves gained their freedom and then would become bankers themselves.

As they were fairly busy, bankers wrote down the amounts they received or rendered, as well as the time and purpose of each transaction with every client[19].

5.2. Banks and bankers in Athens-Piraeus

The most ancient references about banks and bankers in Athens date back to the last quarter of 5th century B.C., 450 B.C. at the earliest[20].

The table 5.2.1. lists the names of those private bankers who acted in Athens and Piraeus during the classical and Hellenistic age[21].

Table 5.2.1.: List of private bankers in Athens-Piraeus

Num	Name	Num	Name
1	Antisthenis (Αντισθένης)	13	Kittos (Κίττος)
2	Aristolochos (Αριστόλοχος)	14	Konon (Κόνων)
3	Archestratos (Αρχίστρατος)	15	Ksenon (Ξένων)
4	Blepaios (Βλεπαίος)	16	Pasion (Πασίων)
5	Epigenis (Επιγένης)	17	Pylades (Πυλάδης)
6	Eyklis (Ευκλής)	18	Satyros (Σάτυρος)
7	Eymathis (Ευμαθής)	19	Soklis (Σωκλής)
8	Eyfraios (Ευφραίος)	20	Sosinomos (Σωσίνομος)
9	Eyfron (Εύφρων)	21	Socratis (Σωκράτης)
10	Herakleides (Ηρακλείδης)	22	Timodimos (Τιμόδημος)
11	Theoklis (Θεοκλής)	23	Philios (Φίλιος)
12	Kallistratos (Καλλίστρατος)	24	Phormion (Φορμίων)

Source: Bogaert (1968), p. 429-430

5.3 Currency

A large number of coins circulated in the ancient Greek world.

The tester – banker should, therefore, be able to define the currency type and also to estimated its value.

The "aggio", «καταλλαγή» or «επικαταλλαγή» or «κόλλυβος» was the difference between the buying rate and the sell rate of the foreign currency. The "aggio" was the payment of the tester – banker and constituted a considerable source of profit for bankers[22]-[24].

5.4 Deposits

Deposits in banks were divided into two categories:

a. deposits for payment,

b. deposits of investments.

Deposits of payment

When someone realised a deposit of payment, he deposited his money in a bank and after a specific period of time he could withdraw this amount, wholly or partly. The above kind of deposit is mentioned originally in the Trapezitikos (Τραπεζιτικός) speech of Isocrates (436 B.C. – 338 B.C.), in the early 4th century B.C[25]-[26].

Deposits of investment

Deposits of investment included a time of payment, and were at interest as opposed to deposits of payment which were without interest. As deposits of investment were uncertain in themselves, the interest – rate was in upward trend. There was the true risk for the depositors to face a denial on behalf of the bankers concerning the existence of their deposits, because there were no written evidence about them. A similar fact concerns the banker Pasion, as mentioned in the Trapezitikos speech of Isocrates[27]-[28].

Some unacceptable acts have also happened in the bank field. Demosthenes (383 B.C – 323 B.C) for instance, mentions in his speech Against Timokrates (Κατά Τιμοκράτη) that the treasury of Athena and other Gods was put in fire, so as any evidence of management irregularities from the part of the guards to be erased[29].

5.5 Loans

Loans in the ancient Greece can be distinguished into three large categories:

a. common loans

b. maritime loans

c. city loans

Common Loans

Generally, common loans were designed to cover usual needs, like the settlement of debts, the purchase of land, houses, slaves etc.

Aristophanis talks about "loans and borrowers".

Rural interest – rate amounted to 8-12% whilst the usual interest – rate ranged from 12% to 18%[30]-[32].

Maritime Loans

In homeric and classical times, the means for transporting merchandise was primarily the ship. Transportation by ship, however, required a great deal of money, which the merchant usually acquired thorough interest – bearing loans from individuals. Thus, they were formed the so – called maritime loans.

Because of the great risks involved, maritime loans has an interest rate of 30%-38%.

Demosthenes mentions a case of maritime loan in his speech For Formion (Υπέρ Φορμίωνος)[33]. Formion had borrowed 20 mnas or 2,000 drachmas (1 mna = 100 drachmas) from Chrysippos to take merchandise of 150 mnas value on cargo. If the journey went well until the end and Formion could deliver his merchandise, he ought to pay 2,600 drachmas to Chrysippos; in other words the interest – rate amounted to 30%[34].

City Loans

There were several cases where banks lent money to cities. The city of Athens, for instance, borrowed money in 427 B.C. from the temple of Athena, with an interest – rate of 6%[35]-[39].

6. Public banks in the classical age

6.1. Generally

City – states soon realised how significant banks acts were for them. Thus, parallel to the private banks public banks started to emerge.

In the Greek cities there were two kinds of banks: in the first kind, the state granted, through payment, the monopoly of foreign currency exchange to individuals (banks – monopolies), while in the second kind it was the state itself which had established a bank (state banks)[40].

6.2. Banks – monopolies in the classical age

Banks – monopolies originally emerged in cities governed by oligarchical regimes. Under those circumstances prevailing in the 6th century B.C. the city of Byzantio created the first bank – monopoly. This monopoly in the bank field seems to be the most ancient in the Greek area[41]-[42].

Long after that, in the 4th century B.C. a similar bank was established in the city of Sinope, in the Black Sea region.

The above mentioned banks has as primary bank act the monopoly of the foreign currency[43]-[44].

6.3 State banks in the classical age

A state bank was established for the first time by Lycourgos, in 329 B.C in Athens.

Some time later, in the hellenistic age, other cities, like Delos, Tinos etc, followed the lead of Athens[45].

7. Sacred banks in hellenistic times

Along with the state of Alexander the Great and that of his successors, a new market was created. At the same time, other phenomena as the massive migration to new centres, the expansion of the currency etc. were quite noticeable[46]-[48].

Social reclassification resulted in dwindling of the middle social strata. This development combined with a certain decrease of religiousness contributed to the reduction of the deposits to the sacred banks on the part of individuals.

In spite of those negative aspects, the temples did not cease their bank activities. The Artemision temple in Ephesos developed intense financial activities, which continued until the 2nd century A.D. Furthermore they are equally known the loans of the temples of Troia, of Priene, of the Panionion temple (common temple or 12 Ionian cities), of the temple of Delos, of Kos etc[49]-[50].

8. Private banks in hellenistic times

8.1 Generally

Private banks were developed considerably during hellenistic times.

Market enlargement as well as expansion of the currency resulted in rapid development of financial transactions.

During this period, banks realised remarkable improvements in their techniques[51]-[52].

8.2. Foreign currency

The large number of different currencies, characteristic of the classical age, began to dwindle.

Macedonians, through their monetary reform, established a one – metal system based on silver. There were few different currencies circulating in the hellenistic world. Therefore, the exchange of foreign currencies as a subject of transaction began to lose ground[53]-[54].

8.3. Deposits of payment

During the hellenistic age, the following innovations can be noticed in the area of deposits of payments.

a. a written order addressed directly to the bank

b. the "transfer" of money between accounts and

c. payment by "cheque"[55]-[58].

8.4 Deposits of investment

No remarkable changes were realised in the deposits of investment field during hellenistic times. As in the classical age, in the hellenistic age too, banks continued to pay interest to the depositors with an interest rate of about 10%[59]-[60].

8.5 Loans

In the hellenistic age, identical to the classical one, loans were not rendered to the primary or secondary sector, except from maritime loans.

In general, the interest – rate from 12% in the 3rd century B.C. reduced to 10% in the early 2nd century B.C. to drop later even more reaching 6-7%. At the bank loans of the 1st century B.C. compound interest phenomena are also noticeable[61]-[62].

Public Loans

Written sources refer to public loan cases in hellenistic times[63]. For instance, an inscription of the 3rd century B.C. contained a resolution of the city of Oropos. Through this resolution, the Oropians made the decision

that their city should borrow money from individuals so as the construction of city walls to be completed. To encourage civilians to lend money to their city, the Oropians decided to honour the lenders according to their offer[64].

9. Public banks

Public banks as well were developed in the hellenistic age.
Those banks acquired their capitals from inheritances of various benefactors.
Public banks undertook, among others, the collection of taxes and they monitored the state expenditure[65]-[66].

The Royal Bank of Egypt

Among the public banks of hellenistic times, the Royal Bank of Egypt obtains a prominent positions.
The bank was established in the 3rd century, in Alexandria.
It gathered in its treasury all state revenue and performed the payment of all state expenses.
It accepted deposits not only in cash but also in kind[67]-[70].

10. Counterfeit coins

There were some phenomena of counterfeit coins in Greece.
Counterfeit coins appeared more often in difficult economic situations or in states with non-democratical regime.
As an example it is mentioned that the king of Macedonia, Perdikas II (436-413 B.C), paid his soldiers for the war against Chalkideis with gold – plated copper coins.
Herodotus mentions – there are not, however, sound evidence for this fact – that Polycrates, tyrant of Samos, bribed Lacedaimoneis to stop seizing Samos.
Polycrates paid Lacedaimoneis with counterfeit coins made of gold – plated lead[71]-[74].

NOTES

1. Encycl. DOME, entry bank.

2. Encycl. Papyros – Larousse – Britannica, entry bank.

3. Bogaert (1968), p. 279.

4. Tiverios (1999), p. 83.

5. Tiverios (1999), p. 63,

6. History of Greek Nation, volume C2, p. 184.

7. Bogaert (1968), p. 280.

8. Tiverios (1999), p. 83.

9. Bogaert (1968), p. 283, 287.

10. Theocharis (1983), p. 119.

11. Doukakis (1996), p. 230.

12. Tiverios (1999), p. 83.

13. Karvelas (1966), p. 53.

14. Theocharis (1983), p. 107.

15. Houmanidis (1990).

16. Pantermalis (1995), p. 35.

17. Theocharis (1983), p. 120.

18. Doukakis (1996), p. 242.

19. Rigas (1997), p.3.

20. History of Greek Nation, vol. C2, p. 13.

21. Bogaert (1968).

22. Gofas (1993), p. 228, footnote 216.

23. Pantermalis (1995), p. 35.

24. Doukakis (1996), p. 248.

25. Doukakis (1996), p. 252.

26. Isokratis, Trapezitikos, 2.

27. Doukakis (1996), p. 257.

28. Bogaert (1968), p. 350-351.

29. Demosthenes, Against Timokrate, 24.

30. Karvelas (1966), p. 48.

31. Aristophanis Nepheles, 20, 756, 1287-1289.

32. Kanellopoulos (1966), A, p. 54.

33. Demosthenes for Formion.

34. Oikon. Taxydr. (Special Edition), 27/6/1996, p. 172.

35. Houmanidis – Zois (1996), p. 32.

36. Wasternan (1930).

37. Michell (1957), p. 354.

38. Boeckh (1976), p. 10.

39. Doukakis (1996), p. 273.

40. Theocharis (1983) p. 120.

41. Pseudo – Aristotle, Oikonomika III, 2 («των τε νομιστήν καταλλαγήν απέδοντο μια Τραπέζη. Ετέρω δε ουκ ην ουδενί ουτ' αποδόσθαι ετέρω ούτε πρίασθαι παρ' ετέρου»).

42. Doukakis (1996), p. 274.

43. Bogaert (1968), p. 401-402.

44. Doukakis (1996), p. 275.

45. Theocharis (1983), p. 136.

46. Tsaktsiras – Tiverios (1984), p. 236.

47. Houmanidis (1990), p. 118

48. Doukakis (1996), p. 335-440

49. Bogaert (1968), s. 281, 293, 298.

50. Theocharis (1983), p. 135

51. Houmanidis (1990), p. 120.

52. Theocharis (1983), p. 141

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THE HISTORICAL COURSE OF THE GREEK COASTAL TRANSPORT SERVICES IN THE 20TH CENTURY AND ASSOCIATED POLICY RESPONSES[1]

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Abstract

Maria Lekakou – Irene Fafaliou: *The historical course of the greek coastal transport services in the 20th century and associated policy responses.*

For more than a century, Greek coastal transport has played a crucial role in national cohesion. However, up to the end of the 20th century, the way academics and policy makers responded to the challenges of coastal transport was often improper, inconsistent and non-systematic.

This paper, drawn upon empirical and academic socio-economic evidence, overviews the historical evolution of the coastal services industry from the mid 19th century until the end of the 20th. It specifically examines the nature and the extent of "the Coastal Shipping Issue", as well as the broad contours of the changes that have made the issue an ever-increasing challenge for public policy and its key causes. The strengths and weaknesses in State intervention are explored and possible barriers to success of the major policy reforms are considered in order to identify a range of adjustments that could enhance policy effectiveness.

JEL classification: L1
Keywords: coastal shipping issue, regulatory reforms, coastal shipping policy

1. Introduction: The Coastal Shipping Issue in Greece

With reference to this paper an alternative title could be "the Coastal Shipping Issue", since the evolution of coastal transport services has been a long-standing issue of major importance and captured the interest of both the Greek State and its citizens. Indeed, Greek coastal transport has played a crucial role in national cohesion in various respects. From a geographical perspective coastal transport connects mainland with islands. From an economic and social perspective sea ferries services influence the population levels of the islands, provide opportunities for economic development,

and enhance islanders' quality of life.

However, from the mid 19th until the end of the 20th century policy makers responded differently to the challenges of coastal transport. This paper investigates the links between "the Coastal Shipping Issue" and the approaches employed to solve it. Since there is a research gap in the field, this paper discusses from a historical perspective the socio-economic factors affecting the success of the policies being developed and pursued for more than a century. Special concern is placed on the contribution of different stages of State's regulatory provisions and this is achieved through an examination of both market frameworks which prevailed at times in coastal shipping services and the concrete policy actions which have been formulated to tackle "the Coastal Shipping Issue". Attention is also paid to the impact of the new forms of ownership structure of the coastal shipping companies emerged in the 70's. Finally, the strengths and weaknesses in State evolutionary intervention are analyzed and possible barriers to success of the major reforms are considered in order to identify a range of adjustments that could enhance policy effectiveness.

2. The Issue in Context

It is hereby considered that "knowledge" relevant to the historical evolution of Greek coastal shipping is a key element in identifying the development of the "Coastal Shipping Issue", the main factors involved, as well as the policy areas affected. In most cases, such an effort involves discussion of market forms which act as "proxies" for public intervention. This is also assumed to facilitate the identification of transport services' characteristics that form the reference upon which progress in the sector should be measured.

Since the liberation of Greece from Turkish occupation and the formation of the Modern Greek State (1827) till the end of the 20th century, the market structure of the coastal shipping services took various forms in consistency with certain State's approaches employed at times. In particular, until 1932 two dominant market forms have been documented in the literature as being developed in three different chronological periods. These are as follows: a state monopoly regime which was the dominant market form for both the

period dated from State's liberation until 1892, and right after the Second World War until 1947; in the years between (from 1892 until 1932) conditions of a perfect competition regime characterized the market of the sector, which turned out to be destructive[2]. In 1932 a state intervention regime entered again into effect mainly with regard to ships' age and routes. Furthermore, in 1938, the developments in the market structure of coastal shipping services resulted in the formation of a compulsory Joint Venture, the so-called "Coastal Services Joint Administration"[3]. Within this initiative's framework all coastal ships were incorporated. It should be mentioned that in the meantime two alternative proposals for private monopoly, had been put forward: the first in 1934 on the part of an Anglo-Hellenic Group, the so-called Ambatielos group, and the second in 1946 on the part of the famous Greek ship owner Aristotle Onassis[4]. However, the Government in office rejected both proposals, as they were considered ineffective in economic terms.

From 1947 until the end of the 20th century, coastal shipping remained an industry regulated by the Greek State. Although state intervention had not always the same quality features, it is widely acknowledged that the parliamentary voting of the Public Maritime Law Code in 1973 and the promulgation of the Presidential Decree N. 684 of 1976 were of particular importance for the prevalence of the regulatory regime. This stems from the fact that the aforesaid legislative provisions clearly incorporated all elements, which - according to the mainstream industrial economics theory - characterize a regulated industry, namely the control of the "entry and exit" of shipping companies, the " setting of prices", and the "intervention in the quality features of the service provided"[5].

It is worth mentioning that the State's regulatory intervention in the field of transport, in general, is not a Greek phenomenon, but rather an international practice. In the USA, for example, the regulation of transport began in the 19th century. The transport sub-sector, where regulation was applied for the first time, was rail transport. This is based upon the fact that the railway network in the USA is a service of public interest by virtue of its mass passenger transportation characteristic. If this is case for both the USA and central Europe, with regard to Greece, the role of the leading carrier is by right attributed to the coastal shipping transport[6]. This is mainly due to both the geomorphological nature of the country (numerous islands and coastal urban centres, in protected and sheltered waters) and the maritime

capacity of the nation mainly reflected in the Greek maritime tradition. It should be emphasized, however, that despite the more crucial role of the coastal transport in Greece compared to land and air modes, the latter experienced with time a more stable market structure and a more comprehensive institutional regime than coastal shipping.

In conclusion, the key element in the nature of Greek coastal transport, which at times had influenced the type of the State's intervention, is that coastal services act as "arteries" through which the whole country is expanded and integrated, thus constituting a consistency feature for the cohesion of the national structure. However, despite the fact that the "public good" nature of coastal services has caused the long-standing State's intervention, it has also raised social awareness and mobilization due to ineffective policy provision.

Moreover, the nationwide significance of coastal transport has definitely shown its impact on the formation of the operational framework of the coastal shipping services and, in a wider sense, has eventually determined the market-structure of the sector until the end of the 20th century, i.e. that of the regulated oligopoly[7]. If the geomorphological structure of Greece is to be considered, i.e. an extensive coastline (14,854 km) and an insular complex, which includes 3,500 minor and major islands representing 19% of the Greek territory and 14% of the Greek population, public regulation has resulted as a natural corollary. These particular characteristics have determined the historical course of the coastal shipping in Greece, while at the same completely diversified coastal shipping development from that of the Greek ocean going shipping.

It is worth mentioning that the current Greek coastal system serves about 100 islands and includes 200 ports, which are located both at the mainland and the islands. At the dawn of the 21st century, the coastal fleet that served the domestic maritime transports consisted of 430 vessels, with a total capacity of 112,000 passengers, 21,000 vehicles, and 3,600 trucks, operated by 170 coastal shipping companies[8].

In 2001, according to the most recent available data, 19 million passengers, 1.7 million cars, 8 thousands buses, and 600 thousands trucks were transported by the main coastal lines. In the same year 18.5 million passengers, 3.5 million cars, 66 thousands buses and 700 thousands trucks were

carried in strait-crossings. Half of the users of the main lines were embarked and disembarked in the port of Piraeus[9]. The passenger and cargo demand for coastal services is characterized by intense seasonality, showing peaks during the summer period, in particular in August.

3. Historical Development of the Coastal Shipping Issue: Market forms, associated policy responses, and key causes

3.1. From State Monopoly to Destructive Competition (1850-1929)

Until the middle of the 19th century, coastal passenger services were exclusively performed by sailing boats. Modern Greek coastal shipping has its origins in postal service, which was established among the ports of liberated Greece. In 1830, a few ships, which had survived the seven-year war and passed under State control, served as the core capacity for the communication not only between mainland ports and islands, but also between locations in mainland, given that road transport was practically non-existent and road networks were actually vestigial. Coastal transport carriers became the Greek Navy[10]. The sailing vessels of the time were often insufficient to cover the existing needs, it thus became necessary to charter other ships, a fact that involved major costs for the public treasury.

Under these circumstances, the State decided to build two ships: the "Government High Speed" named "Methoni", and the "Maximilian". Both ships were steamers. In 1836, the Greek State, by means of one of the first-ever-legislative acts entered into force after Liberation, "reserved" the privilege of coastal shipping in favour of the ship-owners flying Greek flags, without however excluding those bearing foreign flags on conditions of reciprocity. The demand for passenger and cargo transport, as well as the postal needs could not be met and the use of Navy ships and boats became a common practice. During this period, that is to say around the middle of the 19th century, a State coastal passenger fleet was formed consisting of five steamers, which were granted by the Ministry for the Interior.

Furthermore, in 1855 the Act "SPA" provided for the establishment of a company having its main activity in the operation of coastal lines between the islands and coastal towns of Greece. As a result, the first company of pas-

senger ships was established on the island of Syros (under the name: "Hellenic Steam Navigation Company"[11], and in conformity with the Austrian Lloyd's standards). Through the enforcement of the above act, the administration of the company was assigned to a well known Captain and naval architect (named G. Tombazis) in an effort to minimize managerial deficits. The Company was subsidized by the Greek State and granted monopoly privileges for 23 years, namely until 1880, while Austrian Lloyd's and French Messagerie were restricted to the international coastal lines.

Despite state aid, this company did not manage to survive and in 1892 was finally declared bankrupt. Among the reasons stated for the company's dissolution were[12]:

• Excessive expenses.

• Abuses in ticketing.

• Maladministration of insurance funds.

• Numerous and oversized steamers.

• Excessive consumption of coal.

• Damages from the operation of certain coastal lines.

However, in 1883, the second coastal company had already been established in Athens under the name "Pan Hellenic Steam Navigation"[13]. Founders of the company were bankers and various financial bodies, while its fleet consisted of nine ships. A year earlier, namely in 1882, another company had been established in Piraeus under the name "Goudis Steam Navigation", with six ships. After the bankruptcy of the "Hellenic Steam Navigation Company", a new company under the name of "New Hellenic Steam Navigation" was established on the island of Syros, its fleet pertaining to the ships of the old company. Thereafter, the establishment of "Neorion Steamers" followed, with its successors being the "Cycladic Steam Navigation" and the "Ermoupolis Steam Navigation". The aforesaid companies, as well as others established later on, were active in the field of coastal lines. Until 1932, they operated in conditions of nearly perfect competition, which often resulted into practices of unfair competition with destructive results, despite the fact that the increase of passenger and cargo traffic created favourable conditions as regards to the ships' operation.

The right to provide coastal services between Greek ports was granted to

ships flying foreign flags until 1927, by means of stipulated or renewable contractual agreements. However, in 1927, after stipulation of new agreements with countries that until that time were granted the above right (such as Great Britain and Italy), the right of coastal navigation was abolished for ships not bearing the Greek flag[14].

The presence of foreign companies (until 1927) did not prevent Greek companies (although often with a short business life-cycle) from emerging (i.e. "John Mac Dual & Barbour", "Efstathiou and Pyrros Makridis Bros.", "G. Tsoutras", "Leoussis", "Destounis-Giannou-latos", and "V. Maniakis" to mention a few). All these companies have been subsidized to a certain degree, directly or indirectly, by the State through various financial measures, discounts for duties on lighthouse, sanitary and port services.

During the 1912 – 1913 War, the Greek coastal shipping was capable of and ready to offer services for military and food transports, and also to tender supporting services for the Greek Navy. The activity of Greek coastal shipping during the First World War and later, during the Asia Minor expedition, was of great importance although it suffered major losses: Greek coastal shipping lost 82% of its potential. Specifically the contribution made by the Greek coastal shipping in both the transportation of the Greek Army, and collecting and transporting refugees in free Greece was valuable for the country.

In 1917, the State founded the "Maritime Transports Directorate" (MTD) and for the full control of coastal passenger services a Director and Deputy Director (i.e. the ex Minister of Transport and the Captain of Merchant Marine, respectively) was appointed. However, this state effort in the direction of "nationalization" of coastal passenger services failed, since it was not properly organized whilst ship-owners profited enough out of this initiative. It should be noted that the abovementioned Directorate incorporated in its potential all coasters existing at that time. The dissolution of the MTD, which occurred in 1922, left behind a big deficit. The 122 boats, operated under the MTD management, were returned to their owners after having rendered good services in the war operations of that time[15].

The principal characteristic of the consequent period (i.e. between 1922 and 1929) was the "cut-throat" competition among the existing companies. The competition practices adopted by those companies were mainly the following: simultaneous departures of ships, discounts in

tickets prices, and predatory pricing. All the above turned out to produce negative results for the service and quality offered by the ships and of course were practiced at the expense of the passengers. Furthermore, it is obvious that the margin of profit in such a "cut-throat" competition context was really small, thus rendering replacement of old ships almost impossible. It is worth noting that in 1924 the average ship age was 30.5 years, in 1925, 39 years and in 1929 reached about 42 years. Companies that were trying to keep a low fixed cost in any way possible were not raising capital for ship fleet renewal and were not paying any attention to the quality of the services provided[16].

In conclusion, the period from 1922 to 1929 was marked up by the negative elements of the unfair competition, lack of planning and rationalization, and excess of capacity, with all these factors preparing the ground for a "regulatory state intervention" regime. This evolution, however, is fully connected to the historical events occurred in the observed period. The disaster in Asia Minor frustrated all expectations of the sector, which was preparing its ranks to meet the transportation needs of Asia Minor coasts. In parallel, the fact that Turkey instituted an exclusive privilege (i.e. cabotage) in favor of the ships flying the Turkish flag had further aggravated the situation. In 1926, a company named "Coasters of Greece" was established and dominated Greek coastal affairs throughout the period between the 30's and 40's[17]. It was through this collective effort that Greek coastal services finally managed to survive. The founding members of this company were initially "Giannoulatos Steam Navigation", "Manouilidis-Panteleontos", "A. Riggas", "Vlassopoulos", "Domestinis", and later "Togias" joint the group. It is necessary to emphasize that this company constituted the first ever-joint scheme formed on the initiative of private companies; however, not all the existing companies joined in.

3.2. The First Steps Towards Regulation of the Coastal Shipping Market (1929 – 1940)

In 1929, the State decided to form a Committee aimed at studying systematically the Coastal matters of the country. In the 1930s the Greek passenger fleet already consisted of 86 ships allocated to 32 ship-owners[18]. The Vice – President of the Government in office was appointed as President of this committee. The Committee completed the assignment and ended in a

corollary in 1931. The first measure implemented on the basis of the Committee's corollaries was to set a barrier on entry for ships older than 20 years. In compliance with this measure, 36 boats were to be disposed of at once and another 19 within a five – years period and not later than 1936. Moreover, the Committee suggested that all boats aged over 50 years should be excluded from routes and their owners indemnified on the basis of scrap value plus a slight increase[19].

The Committee also suggested the following measures:

• Avoidance of simultaneous departures of ships with no specific reason

• Establishment of special administrative bodies to deal with these lines (i.e. unprofitable routes)

• Actions to relieve seafarers deprived by these measures.

The Committee directives as described above constituted the fundamentals of the government policy for the last decade before the war and were depicted in the Act: 6059 on "coastal shipping transports and passenger" services of 1934[20].

In conclusion, it was instituted that all ships aged over 55 years would be withdrawn from service and thus 24 ships instead of 36 were finally withdrawn. The State, in order to affront the indemnity of the ships withdrawn instituted the "Passenger Fleet Liquidation Fund" to which all ship-owners having ships in service were contributing. Unfortunately, not even this arrangement managed to resolve the "Coastal Shipping Issue" and thus, the major coastal companies decided to establish a "Common Fund" aimed at the successful arrangement of coastal shipping matters and the prevention of excessive (unfair) competition.

In the same period, and particularly in 1934, a company under the name of "Anglo-Hellenic Industrial Investors Inc" submitted to the Greek Government a proposal on the monopolization of the coastal services. This group of investors is known as the "Ambiatelos group" named after a well-established ship-owner E. Ambiatelos who was represented it. The most important points of this proposal were the following[21]:

• A forty-year monopoly period

• Coastal services would be performed by 38 ships, 14 of which were new-built

• Undertaking of explicit obligations for compulsory performance of cer-

tain routes, compliance with the official state freight rates, and free mail
transport
- Support to tourism (through establishment by the same company of
  offices abroad)
- Favourable treatment by means of a state subsidy amounting to 80,000
  pounds annually, tax relief, free export of foreign exchange for the distri-
  bution of dividends, and the right to establish and operate hotels.
- Special arrangement/regulation for the seafarers

This proposal was a break-through in conceptualization of coastal
services, because it approached their organization from a different per-
spective, i.e. that of operating as an integrated system, and foresaw
measures to support low and seasonal traffic. It seems that the already
established companies were worried about the new developments and in
response to that proposal, they submitted a plan for the foundation of a
Maritime Transport Organization under the name "United Coasters". The
suggested organization would represent an organized co-operation for the
running of domestic transport, while the subsidy requested from the state
was only 40,000 pounds on an annual basis.

The Committee, which was formed by decision of the Deputy Minister of
Mercantile Marine, deemed that the proposal of the Ambatielos Group was
more advantageous[22]. However, the special Committee formed in May
1937 in order to study the matter more thoroughly, finally rejected the pro-
posal to stipulate an agreement for the following reasons:

- The proposal was actually creating a monopoly in favour of foreign interests;
- There was no provision for any scheme of automatic repurchase of the
  ships by the Greek State after the expiry of the privilege term; and
- The significant contribution of the Greek ship-owners was disregarded.

In 1939, on the brink of the war, and within the context of a rehabilita-
tion effort, a new collective body was formed by means of a compulsory
Statute. This was the «Joint Administration of Coastal Services» (JACS)
having as its main objective the management of all ships pertained to its
property (above 100grt[23] and up to 50 years old) and also taking care of
the passenger fleet renewal under the supervision of the Ministry of Mer-
cantile Marine. The above statute also provided for binding and specific
obligations of all members grouped in this compulsory joint venture.

By that time, 64 passenger ships were in service, 47 of which were

entered under the new scheme. Criticism was passed on this attempt to resolve the "Coastal Shipping Issue" because of its compulsory character. Passengers though, had a positive reaction because the scheme provided a more rational ship distribution in the various existing lines, regularity and punctuality in the operation of routes, and improvement of the sanitary conditions. The war suspended this effort. Statistics show that in 1940, 40 ships, allocated to 20 owner-companies, were operating in the principal domestic lines with 12 of those ships being under the management of the societe anonyme company named "Coastal Shipping of Greece S.A"[24].

The 1941 April bombings practically ruined the Greek coastal shipping fleet and at the end of the war it was reduced to only three ships (i.e. the "Korinthia", "Mary M", and the "Ionia")[25]. The post-war situation proved to be a complete disaster, mainly due to the lack of insurance provisions against war risks. War actually resulted in a "violent solution" to the problem of mismatch between supply and demand of coastal services, as well as to that of over-age Coasters.

3.3. State Monopoly or State Controlled Private Monopoly? (1947 – 1950)

Liberation found Greece practically without passenger ships, since even those that survived the war were under requisition by the allied forces. Sea transports were performed very intensively since both land transport and the road network were ruined. When the Greek passenger ships were finally released from requisition and returned back to the Greek State, the fleet had been extended through the addition of some cargo vessels granted by the allies, 7 corvettes purchased successively by the State, 5 ships acquired by means of the German war reparations and 21 motor ships coming from "spoils" of war. Passenger transport was still difficult due to the unsuitability of the ships used for that purpose. To resolve the problem a new committee was formed, which ended in October 1945 with the conclusion that 24 steamers were required for the operation of the coastal routes[26].

The suggested alternative solutions of the "Coastal Shipping Issue" regarding the post-war organization and operation of the coastal lines may be classified in three categories:

• State monopoly

• Private coastal companies under state regulation

• State-controlled private monopoly for the operation of the coastal services

By that time, and specifically in 1946, the ship owner Aristotle Onassis submitted a proposal for a monopolistic exploitation of domestic sea transport[27]. He suggested the following:

• Exclusive privilege for all sea and air transports with right to international operation.
• Incorporation of a limited company with share capital equal to the amount required for the purchase of 8 frigates and 3 airplanes, given that these means would be the "floating stock" of the enterprise.
• Favourable treatment of the company and in particular tax exemption for the material imported, tax relief for the construction of hotels, and exemption of the company from the foreign exchange laws in force.
• Restriction of the State right to proceed to requisition of boats for national necessity reasons and for free mail transport.
• State subsidies for the conversion of frigates into coasters and the construction of hotels, port infrastructure, etc.
• Fares based on the international conditions (and not domestic conditions).
• Company's administration would consist of eight members, five of which would be appointed by the ship owner.

The Committee, which was formed by the Government to study the proposal[28] concluded unanimously on rejection of the said proposal because of the following reasons:

• The proposed terms and conditions were deemed particularly onerous.
• The ships that would be at the disposal of the company could not meet the existing needs.
• The fares determination system would produce significant charges on passenger and cargo transports.

On the contrary, the committee was of the opinion that it would only be fair to study the concession of the same above terms and conditions for the existing ship owners who also had the required experience.

In 1947, the Greek State drew up a new plan. This project had as its principal subject the sale to the Association of Coastal Passenger shipowners of the ships that were performing coastal services under state control, and the granting of certain accommodations and facilities with the aim of financial support for the Association[29]. In particular, the measures

introduced were the following: concession of three cargo vessels, tax free fuel and supplies import, revision of manning requirements, and non-intervention of the State in the relations of the associated members. The ships sold constituted the core of the passenger coastal fleet in the course of reconstruction. This action was in fact the first effort in the direction of rehabilitation of coastal shipping.

3.4. Scattered Measures instead of Comprehensive Policies for Coastal Shipping (1950-1976)

This period is characterized by the emergence of scattered and unco-ordinated public measures instead of comprehensive and systematic policy initiatives. Again, changes in the profile of coastal shipping, in terms of ownership structure (i.e. a large number of small individual companies), gave impetus to such public responses.

Specifically, in 1950 a significant event occurred: four sister ships were built in Italian shipyards in consideration of the Italian war reparations: Miaoulis, Kanaris, Karaiskakis, and Kolokotronis. These ships were acquired by Greek ship-owners {three by Thiraiki Company /Nomikos/ and one by P. Potamianos}, under favourable and convenient payment terms, and were the only new buildings of the Greek coastal fleet. Shortly after the end of the state monopoly era, and specifically in 1950, 30 ships owned by 17 ship owners served the main domestic lines[30].

In the ensuing decade (1950-1960), the same persistent problems existed, namely qualitative and quantitative insufficiency of the fleet (35 ships) and fragmentation of the coastal sector into a large number of small independent companies (18 companies). These firms were not capable of meeting the existing passengers' needs due to their poor organizational structure.

According to the Joint Committee[31] formed in 1959 by the Ministry for Co-ordination and the Ministry of Mercantile Marine, it was considered necessary, for a radical change, to implement the following steps:

• Determination of the necessary number and proper type of ships (at that stage, approx.25 ships of two main categories tonnage-wise were required to serve the main lines).

• Loans by courtesy of the State covering half of the ship's value, granted

for a ten-year period with interest rate of 5%.

• Graduate increase of passenger fares.

• Five-year contracts with the State to serve unprofitable lines by B class ships (in terms of tonnage).

• Protection of coastal shipping enterprise by determining a saturation ceiling for each line.

• Securing safety and comfort standards for passengers.

• Co-ordination of sea, land, and air transports.

• Establishment of a high-level Committee to monitor coastal shipping issues.

These proposals were not implemented in due time, and even worse the proposal of the Committee regarding the match of transport needs (demand) with the number of ships per line (supply) was not accepted by the Government. In fact, the "entry and exit" of ships in the sector without a valid action-plan which would enhance the domestic maritime transport, was continued. Resulting from the aforementioned administrative deficit, in 1960 the main coastal services (Argosaronikos Gulf Lines included) were served by 30 ships operated by 14 ship owners[32].

Finally, in 1963, the State, through the Greek National Tourist Organization (EOT), decided to repeat the undertaking of placing an order to Italian shipyards for another three ships (ferries of 4,500grt). A significant part of the ship building cost would be covered by the pending war reparations still owed by Italy. In this way, three newly built ships were recruited in the Greek seas (i.e. Adonis, Eros, and Aphrodite)[33]. Furthermore, in 1964 a new bundle of measures for Greek coastal shipping were launched, including:

• Increasing the number of routes;

• Doubling the number of unprofitable lines;

• Doubling the number of mail lines;

• Bidding procedures for the contractual agreements of all those lines.

In December 1966, the main coastal lines of the country were served by 41 ships, operated by 16 shipping companies (Argosaronikos Gulf Lines included). This increase (in terms of ships' numbers) is to be attributed to the increase of the number of ships operating the Argosaronikos lines[34]. However, the event that was going to have an enormous effect on the

Greek coastal shipping sector for the next half of the 20th century was the loss of the ferryboat Iraklion.

3.5. The Emergence of the Multi-stakeholders' Coastal Companies (1967)

In the morning of December 8th 1966, the Iraklion sank sailing from Chania to Piraeus and 250 people were lost[35]. The accident was attributed to manufacturing defects and improper lashing of a vehicle on board. The heavy climate of sorrow and indignation caused by the tragedy was the background on which the idea for a collective perspective on the coastal transport issue was developed. In the aftermath of this tragedy (1967), the creation of ANEK Lines (Maritime Company of Crete S.A.) took place and in September 1970 the ship Kydon, the first ship ever owned by a user basis company, was put into service[36]. The Chanian model was followed by many other islands and towns: Iraklion, Mytilini and Naxos in 1972, Thassos in 1974, and then a long list of island and coastal towns was formed including Samos, Chios, Dodecanese, Symi, Zante, Rethymnon, Lassithi, a list which expanded constantly[37].

Indeed, many attempts though less successful, followed; but one thing is certain, the profile of the Greek coastal shipping changed when island–based maritime companies walked in, a fact that positively contributed to the improvement of sea transport standards. The consequences of the Iraklion tragedy determined future developments in the sector. But the latter should be combined with two other factors in order to capture the complete picture: on one hand a clear turn to ferry boats instead of passenger ships (as the preferred ship type in compliance with international trends), and on the other hand the fleet aging factor that became a "national" feature. Within this climate, with coastal shipping being once again in the political forefront, certain measures were taken aiming at the optimization of sea transport. So, towards the end of the sixties an intense mobilization at both local (with the island-based companies) and national administration level - by adopting measures such as the age limit for compulsory exit (35 years), the determination of 3 coaster types, and incentives to build ships in Greek shipyards- was developed[38].

The measure of compulsory exit after expiry of 35 years of service, which is still maintained in effect today, was aimed primarily at re-building the passenger safety confidence and secondly at forcing "out of the market" certain aged ships. The broad and extended social mobilization also brought

the issue of the "obsolete" institutional framework (still based on the pre-war legislation) to the forefront and raised awareness for its innovation.

3.6. The Institutional Regulation (1973 and 1976)

In 1973, the institutional gap was filled by promulgation of the Public Maritime Law Code, wherein a special chapter for coastal shipping was contained. This legislation act set forth regulations with regard to all coastal shipping aspects, from the flag and the cabotage issues for Greek ships, ships' categories, routes, manning terms, and fares determination to agents' obligations. Notwithstanding, the institutional gap was filled, the standing problem of imbalance between supply and demand was not resolved; on the contrary, it worsened due to numerous "approvals" for loans, which were granted by the military regime for obvious "political" reasons[39]. It is indicative that the number of ferries operating in the main lines was doubled within five years (1970 – 1975), from 15 to 30. In parallel, this same period saw the definite and complete prevalence also in the Greek seas of the ferryboats over the traditional passenger ships, which were reduced, from 26 to 11[40].

After a period of intense mobility and initiatives that brought about a significant increase in the number of ships, the State, in an effort to prevent developments of destructive competition effects, made an intervention in 1976 by promulgating the Presidential Decree N. 684. This laid down the most important institutional barrier to entry – that is the obligation to issue a License prior to a ship's entry into service. In this way, the already existed operators were "secured" and the entry of new operators was substantially "hindered". The philosophy of this measure was to view national maritime transport not as an integrated transportation system but on a "per line" basis or even further on a "per ship" basis. To put it differently, the measure was based on the assumption that the baseline for the development of the maritime transport is the ship. Heavy criticism was passed, especially with regard to the low documentation standards required for the application. The composition of the consultative Committee was formed with the purpose to consider the applications (no representation of users). Consequently, the absolute power of the Minister of Mercantile Marine to decide whether to grant a license or not was established. The cartel which was formed due to the entry barrier, basically consisted of the companies operating

principally with ferry lines[41]: Karvoundis, Eftimiadis, Agapitos Bros., Shipping Company of Lesvos, Minoan Lines, ANEK Lines, Frangoudakis, Stathakis, Nomikos, Shipping Company of Naxos, Strintzis, Latsis, Ventouris, Karras, Togias, Tyrogalas, Miras and Lazopoulos[42].

The course of events demonstrated that the decision to qualify the ship as the basic axle of the coastal shipping policy was not finally justified. It was not compatible with the characteristics of the domestic sea transport system, especially with the requirement for flexibility, arising from the heavy seasonal nature of the insular lines; in parallel, the said direction was enhancing individual entrepreneurs and preventing the formation of collective, more flexible, and powerful business schemes[43].

Of course, it should be mentioned that in the context of the inter-cartel, competition soon developed and collective schemes (island-based companies) finally prevailed mainly because they managed to create a feeling of trust and safety among end-users of coastal services. On the contrary, the elimination of traditional companies from the picture is to be attributed either to maritime casualties (Iraklion and, Eleana) or to the failure of following up the demands of the new era. During the same period (1975-1985) collective efforts launched at islands (Samos, Ikaria, Naxos, Cefalonia, Ithaca, etc.) to resolve the transport problem, were of course of local nature, but unfortunately resulted in failure due to various internal and external socio-economic factors[44].

The major internal and external factors were namely the poor management of such companies and the outbreak of the 1981-1984 crisis, respectively. As a result of the failure of these companies the State chose to form a societe anonyme coastal shipping company (the first and unique in the post-war era). In 1985 the Hellenic Coastal Shipping S.A. was formed as a subsidiary of the Hellenic Bank of Industrial Development (ETVA) having as its main objective the rehabilitation and operation of the ships of the ailing island-based companies. Unfortunately, this company did not manage to carry out its mission due to the following reasons: poor management, incorrect business choices, mal-operation of ships and big loan obligations[45]. As a result, the company was declared bankrupt in 1991 and the effort for a viable mixed structure between State, banks, shipyards, and local business initiatives failed in the end. Such a scheme, if supported by an experienced, sound, and inde-

pendent management, could make a major contribution to fill in the gab in transport needs of small islands. In these islands, on one hand, there are low traffic volumes and, on the other, the rendering of reliable transport services constitute an indispensable condition for "survival", however there is no interest on the part of individual ship-owners to provide quality services.

In the 80s, a further boost of the successful island-based multi-stakeholders companies was noted, especially in those lines serving with high and regular traffic volumes. Of critical importance in this positive development was the support by the local population, but also the big investments implemented by taking advantage of the financing provided in the framework of the Integrated Mediterranean Programmes and the Development Act. In the same period, private shipping companies were established or consolidated (i.e.Agoudimos and Strintzis to mention but a few) by taking advantage of the same finance sources and filling in the gaps of the coastal shipping system[46].

In the early '90s, an increased business activity had manifested owing mainly to transfer of profits from the operation of the international line Greece – Italy. It is to be highlighted that the investments realized in this as well as in the preceding period were connected with conversions and not new constructions of ships. Finally, after many years, in 1992 Eleftherios Venizelos of ANEK Lines was introduced into the Greek coastal shipping market as the first newly built ship.

4. The Situation of Coastal Shipping Services at the end of the 20th century and in the eve of the 21th century.

The last five years of the 20th century have been characterized by the introduction of new technology ships towards the renewal of the Greek fleet. While this process is still on course, it is interesting to examine the "map" of the shipping companies as formed after 20 years from the enforcement of the entry barrier (i.e. licensing) and the formation of the historical Cartel. The companies operating the main coastal lines of the country are the following: A. Agapitos, G. Agoudimos, Moulopoulos, Ventouris, Nomikos, Stathakis, Goutos, Strintzis, ANEK, Minoan Lines, DANE, NEL, LANE, and Rethymnian. The island-based Multi-stakeholders Companies have strengthened their position against the private ship-owners and have

operated the most profitable lines as regards regularity of transport demand[47]. Their position was further strengthened when they started serving destinations beyond their place of origin. With this background, at the setting of the 20th century Greek coastal shipping changed profile. This was realized by both following up the global trends towards acquisitions and mergers and responding to the big capital investments required for the fleet renewal[48], whilst keeping up with the rapidly increased demands for quality standards. Mergers and acquisitions were initiated by the "Minoan Flying Dolphins Company", through taking over smaller players such as Ventouris, Agapitos, Nomikos, Moulopoulos, Goutos, and others. The takeovers extended significantly the "Minoan's" activities. The other "big players" in the market have tried to follow suit, in order to increase their market share also. Company consolidation had been intensive, resulting to only two big groups, i.e. Attica Enterprises with its partner Strintzis Lines, and Minoan Lines. In the sector there are also three medium size companies, the ANEK, NEL and DANE (that had formed a strategic alliance), and a big number of small and mainly local companies of minor importance. The sector's modern profile is a limited number of companies operating a great number of ships and targeting at the modernization of managerial methods. In this way, they have tried to comply with the new concept of coastal transport services according to which the focal point of their mission is the necessity to meet transport needs by implementing a system that its basic parameters are fourfold, i.e. "the island – the port – the ship, and the support services", contrary to the "ship-oriented" system of the past[49].

By exploring the situation of the Greek coastal shipping during the last decade of the 20th century, we ended our discussion of its evolution. In the dawn of the 21st century, the researcher looks with skepticism at the future of this sector, due to the new institutional environment and its intense competitive requirements. However, two very important developments occurred in the coastal shipping sector in 2001, namely: the Express Samina accident[50] and the reformation of the institutional framework that liberalized the market of the coastal shipping services in accordance with the European Union Regulation[51]. These developments raised social dialogue that is still in progress and further research is required in order to evaluate present situation.

Nevertheless, the significance of coastal shipping, namely its role as a "bridge" that connects the mainland with the islands, and the evident

change in the sector's anticipation by both the State and the private sector, hopefully mark up more stable scenery.

5. Policy suggestions

From the analysis made throughout this paper it became clear that coastal shipping services were essentially supplied-driven and public regulation responses in the field were based on protectionism and unsystematic interventionism in favour of the status quo. However, the recent economic reality (e.g. higher growth rates for Greece, macro-economic and structural reforms, improvement in administrative and managerial skills, etc.), and the increased pressure from the EU for the liberalization of coastal services, as well as Greece's position as the sole EU member in the region incorporated in the European single currency zone, and raised consumers' awareness have made clear that the only way to compete in the field is to move from the supply-driven model to one which is demand-driven (user-centred).

It is herewith supported that a demand-driven model requires taking into account all the "actors" concerned. The most recent development is towards a coastal shipping market characterized by "sustainable mobility." This is defined as "striving to meet the multiple needs of present while ensuring that future generations will have adequate resources to meet their needs" (TRNews 193,1997).

Transport systems and especially passenger transportation networks must fulfill certain criteria. The system's accessibility is of crucial importance. In addition, affordability, safety/security, and quality requirements such as frequency, cleanliness and comfort are preconditions for making transport more attractive. Finally, well- qualified and motivated stuff is necessary for meeting quality criteria.

In the case of coastal shipping, after years of sticking to the old, government- heavy solutions, the last few years have seen new ideas entering the market (Green Book: The citizens' network, 1996).

The principles applied to solving the issues like coastal shipping can be boiled down to three:

• Democratic consultation

• International expertise

• Independent research.

The realization of these principles could be related with information and knowledge gained also by this paper and could conclude to the development and establishment of a new Coastal Shipping Policy. This new policy, according to our view should be the outcome of a "concerted action" undertaken by various "players". This crucial procedure had already begun with serious institutional and structural transformations but a serious knowledge deficit still exists. The researcher of the future, referred to this paper will be empowered with experience and will be better informed on the strengths and weaknesses of coastal shipping services and the associated policy responses in Greece.

6. Conclusions

This paper has focused on both the investigation of the main socio-economic characteristics of the coastal shipping market in Greece and the associated public policy responses. From the analysis made the main economic features of the coastal shipping market observed, can be summarized as follows:

1. High concentration in the sector (a small number of firms dominated the market)

2. A large number of individual users (e.g. passengers, transport companies, tour operators) that express a flexible and heavy seasonal, but steadily increasing demand for coastal services

3. Incomplete knowledge of the market from all the involved parties (i.e. suppliers, users, port authorities, local authorities, and the State) mainly due to managerial, training, and research deficit.

4. Cross-purposes among key "actors". For example, coastal companies aimed at profit maximization, and at maintaining their share in the market. Users sought transport for different reasons (e.g. professional, leisure, health, social, administrative, etc.). The State intervention rhetorically aimed at the protection of the end-user, the effectiveness of the coastal industry, and the improvement of transport system in overall.

5. Differentiated service (i.e. spatial and qualitative differentiation).

6. High institutional and economic "barriers to entry"(e.g. licensing system, high investment cost, networking requirements etc).

7. Limited mobility of coastal companies (mainly due to high sunk-costs).

8. Indivisibility of supply (ships come in specific sizes with certain capacity despite the flexible and seasonal nature of demand).

9. Short-term forecasting capacity.

10. High fixed production cost of coastal services, low variable cost and almost constant and low marginal cost.

11. Pricing was determined and regulated by the state, was mainly based on the distance and the cost of services, whereas the demand-side was ignored as well as the competition in each line.

All the above oligopolistic features together with state policies and tactics led to instability in the Greek coastal shipping market and to low quality services for the end-user. Although there is no enough data available for the profitability in the sector, due to the special tax system covering the maritime sector in overall[52], the performance of the sector is considered poor[53].

NOTES

1. A draft version of this paper has been presented at the 2nd International Maritime Conference: "Geopolitics of the Sea", Chios (26-27/09/ 2002), Greece.

2. Ministry of Mercantile Marine, 1931 (in Greek).

3. Ibid.

4. Ibid.

5. For further information on regulated markets and industries, see for example Scherer, 1980 or Stigler, 1971.

6. Kahn, 1991.

7. Lekakou, 1994, p. 228 (in Greek).

8. The data were collected and calculated by the authors from the Ministry of Mercantile Marine. The official issue has not been published yet.

9. Ibid.

10. Papathanasopoulos, 1988, Ch. 1 (in Greek).

11. Ibid

12. Ibid.

13. Tzamtzis, 1999, p. 23 (in Greek).

14. Ministry of Mercantile Marine, 1931 (op. cit.).

15. Ibid

16. Stambolis, 1961 (in Greek).

17. Tzamtzis, 1999, Ch. 3 (in Greek).

18. Association of Coastal Cargo Ships, 1950 (in Greek).

19. Ministry of Mercantile Marine, 1931, op. cit.

20. Tzamzis, 1999, op. cit.

21. Ministry of Mercantile Marine, 1939, op. cit.

22. Ibid.

23. Grt stands for gross register tonnage.

24. Association of Coastal Cargo Ships, 1950, op. cit.

25. Stambolis, 1961, op. cit.

26. Ministry for Co-Ordination, 1959 (in Greek).

27. Naftika Chronika , Issues of 1946, 1947.

28. Naftika Chronika, op. cit.

29. Association of Coastal Cargo Ships, 1950, op. cit.

30. Stambolis, 1961, op. cit.

31. Ministry for Co-Ordination, 1959, op. cit.

32. Stambolis, 1961, op. cit.

33. Naftika Chronika: Various Issues of 1963, 64 (in Greek).

34. Ibid.

35. Arhontakis & Vavouras, 1997, Ch. 1, (in Greek).

36. Vavouras & Arhontakis, 1982, Ch. 2, (in Greek).

37. Arhontakis & Vavouras, 1997, Ch. 4, (in Greek).

38. Naftika Chronika, Issues of 1973 (in Greek).

39. Lekakou, 1994, op. cit., Ch. 6.

40. Argo several issues of 1974, 1975, 1976, 1977 (in Greek).

41. Goulielmos and Lekakou, 1992, pp. 301-315.

42. Argo, Ibid.

43. Lekakou, 1994, op. cit.

44. Arhontakis & Vavouras, 1997, op. cit.

45. Organization for Ailing Companies, 1984 (in Greek).

46. Data collected from the archives of the Ministry of Mercantile Marine and the Ministry of National Economy.

47. Arhontakis & Vavouras, 1997, op. cit.

48. These investments were estimated as a total of 1.2 bn Euro by "XRTC", a financial consulting firm specialized in coastal shipping.

49. National Bank of Greece, 1998 (in Greek).

50. In September 2001, the Express Samina sank sailing from Piraeus to Paros and 80 civilians lost their lives.

51. For further information on the matter, see European Union Regulation 3577/92 and the Greek Law N. 2932/2001.

52. The taxation is based on tonnage capacity instead of revenues (the Athens Stock Exchange (ASE) listed coastal companies exempted).

53. The taxation is based on tonnage capacity instead of revenues (the Athens Stock Exchange (ASE) listed coastal companies exempted).

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ΠΑΓΚΟΣΜΙΟΠΟΙΗΣΗ ΚΑΙ ΝΕΑ ΟΙΚΟΝΟΜΙΑ

ΧΑΡΗΣ ΝΑΞΑΚΗΣ

Τ.Ε.Ι. Ηπείρου

Abstract

Xaris Naxakis: *Globalization and new economy*

This article examines two structural changes that characterize the contemporary world: the globalization and the new economy.

Certain issues, such as the character and the implication of the globalization and the new economy are analyzed, issues that consist two parallel and interdependent procedures.

Regarding globalization, the extent to which the product, capital and labor markets are globalised and its consequences to the national economies, to the North-South relation and to the environment are examined.

Regarding the new economy, the interconnection of information technologies to the competitive advantages of businesses and the determinant importance of new technologies to the creation of an economy of knowledge and networks are analyzed.

Since the Information economy is not yet the dominant production mode and the markets of products, Capital and Labor are not globalized, then the trend of the Economic System is the movement towards that direction.

JEL classification: F20 - General

Keywords: globalization, new economy, capital and labour markets, information technology.

1. Εισαγωγή

Οι θεμελιώδεις αλλαγές στο σύγχρονο κόσμο είναι η παγκοσμιοποίηση και η έλευση της κοινωνίας της γνώσης και της πληροφορίας.

Χωρίς αμφιβολία είναι σε εξέλιξη μια διαδικασία διεθνοποίησης της οικονομίας (U.Beck, 1999; R.Gilpin 1997; Π.Ρουμελιώτης, 1996) και ταυτόχρονα βρίσκεται σε κρίση το εθνικό μοντέλο ανάπτυξης. Το κεφάλαιο σήμερα έχει αποεθνικοποιήσει τις οικονομίες και έχει οδηγήσει στο "τέλος" τον οικονομικό εθνικισμό (A.Gorz,1999, σελ.30).

Στο Κεϋνσιανό – Φορντικό μοντέλο ανάπτυξης, η γεωγραφία της παραγωγής ήταν εθνική, αφορούσε κυρίως την εντατική ανάπτυξη της

εσωτερικής αγοράς, ήταν ένα μοντέλο προστατευτισμού της εθνικής αγοράς από τους ξένους ανταγωνιστές, ώστε οι παραγωγοί μαζικών προϊόντων να αποζημιώνονται για το κόστος των επενδύσεών τους.

Στις σημερινές όμως συνθήκες διεθνοποίησης της οικονομίας της αγοράς τα ανταγωνιστικά πλεονεκτήματα των επιχειρήσεων και των οικονομιών δεν συνδέονται μόνο με τον εθνικό χώρο, αλλά και με τον παγκόσμιο χώρο. Οι επιχειρησιακές στρατηγικές είναι περισσότερο από ποτέ διεθνοποιημένες, εγκατεστημένες σε διαφορετικές χωρικές ενότητες (Τ. Γιαννίτσης, 1992, 510).

Η νέα στρατηγική των πολυεθνικών για την κατάκτηση των αγορών είναι η παραγωγή προϊόντων μέσω θυγατρικών επιχειρήσεων εγκατεστημένων στο εξωτερικό, οι πωλήσεις των οποίων τείνουν να υπερβούν τις άμεσες εξαγωγές.

Είναι χαρακτηριστικό ότι μόνο 500 από τις τριάντα επτά χιλιάδες πολυεθνικές εταιρίες που ελέγχουν σήμερα την παγκόσμια οικονομία, πραγματοποιούν τα δύο τρίτα των οικονομικών συναλλαγών του πλανήτη και ελέγχουν το 80% των ξένων επενδύσεων.

Η διεθνοποίηση βέβαια της οικονομίας της αγοράς δεν είναι ένα νέο φαινόμενο, αλλά η βασική διαφορά της σημερινής φάσης είναι η έκταση της και ότι αυτή στηρίζεται στις πολυεθνικές και όχι στα Κράτη-Έθνη, στα οποία στηρίζονταν η διεθνοποίηση τον προηγούμενο αιώνα.

Η έξοδος του κεφαλαίου από την εθνική στην παγκόσμια αγορά επιταχύνθηκε από την αρχή της δεκαετίας του '70 με την ανάπτυξη των πολυεθνικών εταιριών, που μετέφεραν κλάδους παραγωγής σε ξένες χώρες για να μπορούν να έχουν πρόσβαση στις εσωτερικές τους αγορές.

Οι πολυεθνικές επιχειρήσεις έγιναν όμως διεθνείς, παγκόσμιες, γύρω στο 1990, στο βαθμό που μέχρι τότε καταργήθηκαν κάτω την πίεση τους οι τελωνειακοί έλεγχοι, οι φραγμοί στην κινητικότητα του κεφαλαίου.

Στα πλαίσια του ανταγωνισμού εκείνες οι επιχειρήσεις που αντιμετώπιζαν τους λιγότερους ελέγχους και περιορισμούς στην ελευθερία των κινήσεών τους είχαν τις πιο πολλές ευκαιρίες να επικρατήσουν. Η διεύρυνση του μεριδίου τους στην παγκόσμια αγορά απαιτούσε φιλελευθεροποίηση στην κυκλοφορία του κεφαλαίου.

Η επιταγή της ανταγωνιστικότητας οδηγούσε στην παγκοσμιοποίηση της οικονομίας και στο διαζύγιο ανάμεσα στα συμφέροντα του κεφαλαίου και σε αυτά του Κράτους – Έθνους.

Η παγκοσμιοποίηση βέβαια δεν θα μπορούσε να αναπτυχθεί αν

ταυτόχρονα με την εμφάνιση των πολυεθνικών δεν συντελούνταν μια τεχνολογική επανάσταση, αυτή των τεχνολογιών της πληροφορίας, που σε συνδυασμό με την απορρύθμιση του κράτους πρόνοιας, επέτρεψε την μείωση του μισθολογικού κόστους, την αύξηση της παραγωγής, την αποδέσμευση από τους κοινωνικο-κρατικούς περιορισμούς.

2. Τα χαρακτηριστικά της παγκοσμιοποίησης

Ας δούμε όμως πιο συστηματικά μερικά στοιχεία που τεκμηριώνουν τη θέση της διεθνοποίησης, την εν δυνάμει παγκοσμιοποίηση της οικονομίας, την πλανητική διάχυση του κεφαλαίου.

Α. Αν μετρήσουμε τον βαθμό διεθνοποίησης της οικονομίας από την πλευρά της αγοράς εμπορευμάτων, με κριτήριο την αναλογία του εμπορίου στο εθνικό εισόδημα των πέντε πιο αναπτυγμένων καπιταλιστικών χωρών (ΗΠΑ, Ιαπωνία, Γερμανία, Βρετανία, Γαλλία), τότε η αναλογία αυτή ήταν 31,6% το 1913, 20% το 1950, 33% το 1979 και 36% το 1995. Ταυτόχρονα την περίοδο 1980-1990 η σχέση μεταξύ εξαγωγών και παραγωγής ήταν 1,6 : 1,0 έναντι 1,25 : 1,0 την περίοδο 1970-1980.

Β. Την τελευταία τριακονταετία το εμπόριο μεταξύ των οικονομικών μπλοκ έχει αρχίσει να υπερβαίνει σε όγκο το εμπόριο που διεξάγεται στο εσωτερικό των μπλοκ, γεγονός που δείχνει την αυξανόμενη διεθνοποίηση της οικονομίας. Σήμερα για παράδειγμα από τις 350 μεγαλύτερες επιχειρήσεις στον τομέα των υπηρεσιών, οι 310 είναι πολυεθνικές και μόνο οι 40 δραστηριοποιούνται στην εθνική αγορά.

Γ. Χαρακτηριστικό στοιχείο της διεθνοποίησης είναι η τρομακτική ανάπτυξη της αγοράς κεφαλαίου και χρηματιστικών υπηρεσιών. Έχει υπολογισθεί ότι καθημερινά πάνω από ένα τρισεκατομμύριο δολάρια κυκλοφορούν συνεχώς με κερδοσκοπικούς σκοπούς στις αγορές συναλλάγματος και οι κεντρικές τράπεζες αδυνατούν να ελέγξουν την δύναμη των ιδιωτικών επιχειρήσεων.
Οι αγορές συναλλάγματος είναι σήμερα κατά πολύ μεγαλύτερες από την αγορά του διεθνούς εμπορίου και αυτή η τεράστια διακίνηση κεφαλαίου στην υπηρεσία των ιδιωτικών συμφερόντων κάνει αδύνατη την εισαγωγή κοινωνικών ελέγχων στην αγορά.
Είναι τόσο σημαντική η μετακίνηση του πλεονάζοντος κεφαλαίου προς

την χρηματιστηριακή σφαίρα που η σημερινή φάση της διεθνοποίησης είναι περισσότερο μια διεθνοποίηση του Χρηματιστηριακού κεφαλαίου παρά του παραγωγικού κεφαλαίου. Είναι χαρακτηριστικό ότι η συνολική αξία των υπερεθνικών συναλλαγών για μετοχές και ομόλογα για τους πολίτες των επτά πιο αναπτυγμένων βιομηχανικών χωρών πέρασε από το 35% του ΑΕΠ το 1985 στο 140% το 1995. Οι εταιρίες σήμερα π.χ. SIEMENS κερδίζουν περισσότερα από τις χρηματοπιστωτικές τους τοποθετήσεις στη νομισματική αγορά συναλλάγματος παρά με τις παραγωγικές τους δραστηριότητες.

Δ. Η παγκοσμιοποίηση του κεφαλαίου έχει επιταχύνει τη διεθνοποίηση των επενδύσεων και έτσι σήμερα οι ξένες επενδύσεις ως ποσοστό του ΑΕΠ των αναπτυγμένων χωρών σχεδόν διπλασιάστηκαν σε μια εικοσαετία.

Ε. Ταυτόχρονα μέσα στα πλαίσια της παγκοσμιοποιημένης οικονομίας αναπτύσσονται ελεγχόμενες από τις πολυεθνικές νέες γεωγραφικές περιοχές, πόλεις-περιφέρειες, όπου σε αυτές συγκεντρώνεται ο πλούτος και η δύναμη. Είναι χαρακτηριστικό ότι σε 10 Ευρωπαϊκές περιφέρειες είναι συγκεντρωμένο το 90% των προγραμμάτων που αφορούν την τεχνητή νοημοσύνη, την βιοτεχνολογία και την πληροφορική, βρίσκονται οι έδρες του 80% των μεγαλύτερων βιομηχανικών εταιριών και γίνονται τα 2/3 των οικονομικών συναλλαγών του πλανήτη.

Βέβαια η διεθνοποίηση της οικονομίας δεν έχει δημιουργήσει ακόμα ένα παγκόσμιο καταμερισμό εργασίας, δεν έχει αποεθνικοποιήσει πλήρως τις επιχειρησιακές στρατηγικές, με την έννοια ότι πολλές επιχειρήσεις απευθύνονται στην μητρική τους χώρα και γι'αυτό άλλωστε το εσωτερικό εμπόριο στα τρία μεγάλα μπλοκ Ε.Ε., NAFTA, Άπω Ανατολή, είναι ακόμα πολύ σημαντικό.

Οι εξαγωγές εμπορευμάτων από την Ευρώπη προς τον υπόλοιπο κόσμο δεν υπερβαίνουν το 10% του Ευρωπαϊκού ΑΕΠ, γεγονός που σημαίνει ότι παρά την διεθνοποίηση το 90% της συνολικής παραγωγής στην Ευρώπη συνεχίζει να απορροφάται από την εσωτερική Ευρωπαϊκή αγορά. Η οικονομική δραστηριότητα είναι σημαντική εντός των περιφερειακών οικονομικών μπλοκ των ανεπτυγμένων χωρών.

Γι' αυτό είναι σωστό σήμερα να μιλάμε για διεθνοποίηση και όχι για παγκοσμιοποίηση, στον βαθμό που η εσωτερική αγορά διατηρεί την σημασία της, η παγκοσμιότητα δεν έχει υποκαταστήσει την

εθνικότητα, με την έννοια ότι υπάρχει ένας ενιαίος παγκόσμιος οικονομικός χώρος. Οι αγορές προϊόντων, κεφαλαίου και εργασίας απέχουν πολύ από το να είναι ολοκληρωμένες ή παγκοσμιοποιημένες (Κ. Βεργόπουλος, 1999). Άλλωστε η κίνηση προς την παγκοσμιοποίηση δεν είναι νομοτελειακή, οι αντιδράσεις σε τοπικό, περιφερειακό και εθνικό επίπεδο είναι πολλαπλές στον βαθμό που στις περισσότερες χώρες, εκτός ίσως από μια ελίτ αναπτυγμένων χωρών, ο απολογισμός της διεθνοποίησης σε σχέση με αυτόν του εθνικού μοντέλου ανάπτυξης, είναι αρνητικός: αύξηση χάσματος Βορρά-Νότου, απορύθμιση, φτώχεια, κατάρρευση κλάδων παραγωγής, ομογενοποίηση προϊόντων και κατανάλωσης, κατάρρευση κοινωνικής προστασίας, οικολογικό κόστος, κ.λ.π. (Le Monde Diplomatique, 1998).

3. Οι επιπτώσεις της παγκοσμιοποίησης

Οι επιπτώσεις της διεθνοποίησης της οικονομίας είναι σημαντικές και πολύπλοκες:

α. Αποδυναμώνονται οι προστατευτικοί μηχανισμοί του εθνικού κράτους, γεγονός που αποσταθεροποιεί εκείνους τους κλάδους παραγωγής που στήριζαν το συγκριτικό τους πλεονέκτημα στην κρατική προστασία, οδηγώντας έτσι αναγκαστικά στην εξωστρέφεια τα παραγωγικά συστήματα και αναδεικνύοντας πλέον τις πολυεθνικές σε παγκόσμιες κυρίαρχους. Η δύναμη των πολυεθνικών είναι τέτοιας έκτασης σήμερα που είναι δύσκολο οι παγκόσμιες αγορές να υποστούν ελέγχους και ρυθμίσεις, η τρομακτική αύξηση της διακίνησης κεφαλαίου μειώνει την δυνατότητα άσκησης εθνικής οικονομικής πολιτικής.

Για παράδειγμα ακόμα και ένα μπλοκ χωρών (π.χ. Ε.Ε.) επιχειρούσε να ασκήσει ελέγχους πάνω στις αγορές με σκοπό την πλήρη απασχόληση, αυτό θα οδηγούσε σε μείωση της ανταγωνιστικότητας σε σχέση με τα άλλα οικονομικά μπλοκ και θα δημιουργούσε τις προϋποθέσεις για φυγή κεφαλαίου προς τα άλλα μπλοκ, με αποτέλεσμα την εκδήλωση νομισματικής κρίσης.

Οι πολυεθνικές τελικά, το πλανητικό κεφάλαιο, έχει αποκτήσει μια

ισχύ ελέγχου και λήψης αποφάσεων έξω από τα πλαίσια πολιτικής και κοινωνικής αντιπροσώπευσης και νομιμοποίησης των εθνικών κρατών. Η διασυνοριακή λοιπόν κίνηση κεφαλαίου και εμπορευμάτων καθορίζει σήμερα την οικονομική ανάπτυξη μιας χώρας ή ενός μπλοκ χωρών (Ε.Ε.) και λιγότερο η ανάπτυξη της εσωτερικής αγοράς.

β. Παρότι, όπως σημειώσαμε, πολλές επιχειρήσεις έχουν εθνική οικονομική βάση, τα ανταγωνιστικά πλεονεκτήματα είναι συνδεδεμένα σήμερα περισσότερο με την επιχείρηση και λιγότερο με την χώρα εγκατάστασής της και τα προϊόντα, ενώ παράγονται σε διαφορετικούς χώρους, ολοκληρώνονται στο παγκόσμιο χώρο. Οι μεγάλες επιχειρήσεις διασπούν την παραγωγή τους σε μικρότερα εργοστάσια, διαχέοντάς τα στο χώρο και τα οποία συνεργάζονται με ένα δίκτυο μικρομεσαίων επιχειρήσεων, υπεργολάβων και τοπικών πόρων (υποδομές, τοπικό εργατικό δυναμικό, κ.λ.π.)

Για παράδειγμα (A.Gorz, 1999, σελ.60) οι Γάλλοι εκδότες τυπώνουν τα βιβλία τους στη Μαδαγασκάρη, την Τυνησία ή στη Νήσο του Μαυρικίου, οι παραγωγοί ενδυμάτων πολυτελείας ράβουν τα ρούχα στη Κίνα και τα πωλούν 50 έως 100 φορές ακριβότερα από το κόστος παραγωγής τους, η NIKE ή η PUMA κατασκευάζουν τα παπούτσια τους στις Φιλιππίνες και στο Βιετνάμ, κ.λ.π.

Ο Ρόμπερτ Ράιχ αναφέρει επίσης το παράδειγμα μιας Pontiac Le Mans που το κόστος της παραγωγής της πηγαίνει σε ποσοστό 30% σε εργαστήρια συναρμολόγησης στη Νότια Κορέα, το 17,5% σε Ιάπωνες μηχανικούς, ηλεκτρονικούς και κατασκευαστές εξαρτημάτων, το 7,5% σε Γερμανούς σχεδιαστές, το 4% στη Ταϊβάν και τη Σιγκαπούρη για μικρά εξαρτήματα, το 3% στην Αγγλία, την Ιρλανδία και τα νησιά Μπαρμπάντος για υπηρεσίες πληροφορικής και μάρκετινγκ.

Η διεθνοποίηση της παραγωγής ενισχύεται περισσότερο μέσω της δημιουργίας διεπιχειρησιακών συμφωνιών (συμπαραγωγή, κοινά δίκτυα, κοινή έρευνα), γεγονός που επιτρέπει τη συλλογική αξιοποίηση των ατομικών πλεονεκτημάτων κάθε επιχείρησης και δημιουργεί παγκόσμια, πανίσχυρα, μεγασυστήματα που ελέγχονται από ελάχιστες πολυεθνικές. Ατομικά λίγες επιχειρήσεις είναι πανίσχυρες, είναι οι δεσμοί μεταξύ τους που τις κάνουν παντοδύναμες.

γ. Η διεθνοποίηση της παραγωγής δεν μείωσε αλλά μεγάλωσε το χάσμα

Βορρά-Νότου, πτωχών και πλουσίων, δεν οδήγησε δηλαδή σε μια διάχυση της ανάπτυξης.

Έτσι το μερίδιο των παγκόσμιων ανταλλαγών στις οποίες έλαβε μέρος η Αφρική από 14,1% του παγκόσμιου εμπορίου του 1970 μειώθηκε στο 9,9 το 1996 και της Λατ. Αμερικής από 7,8 μειώθηκε στο 6,1 %.

Τέλος η παγκόσμια φτώχεια τείνει να γίνει συστατικό στοιχείο της διεθνοποιημένης οικονομίας, ενώ την ίδια στιγμή ισχυροποιείται ακόμα περισσότερο η τεχνολογική κυριαρχία του αναπτυγμένου Βορρά.

Σήμερα το 40% των ανθρώπων στο κόσμο επιβιώνουν με το 3,3% του παγκόσμιου εισοδήματος, ενώ τα τελευταία 30 χρόνια ο λόγος του εισοδηματικού μεριδίου του πλουσιότερου 20% του παγκόσμιου πληθυσμού προς το φτωχότερο 20%, αυξήθηκε από 30 : 1 σε 60 : 1.

Όσον αφορά τον τεχνολογικό και γνωστικό παράγοντα, που αποτελούν σήμερα την κύρια πηγή πλούτου και δύναμης, το χάσμα μεταξύ Βορρά-Νότου διευρύνεται. Ένας μικρός αριθμός σήμερα επιχειρήσεων και χωρών ελέγχει τις τεχνολογικές εξελίξεις, την παραγωγή γνώσης και έρευνας, τα δίκτυα ροής της πληροφορίας, αποκτώντας έτσι ανταγωνιστικά πλεονεκτήματα και πρόσβαση σε δυναμικές αγορές, δημιουργώντας πλούτο στον Βορρά και παράγοντας φτώχεια στο Νότο.

δ. Μέσα σε λιγότερο από ένα τέταρτο του αιώνα, ο πλανήτης έχει γίνει ένας ανοικτός οικονομικός χώρος, έχει μετατραπεί σε μια παγκόσμια δεξαμενή εξαγωγής κερδών με σημαντικές κοινωνικο-οικονομικές αλλά και περιβαλλοντολογικές συνέπειες.

Η παγκοσμιοποίηση, η ελευθερία κίνησης του κεφαλαίου σε πλανητικό επίπεδο, η παραπέρα επέκταση του σημερινού παραγωγικού και ενεργειακού μοντέλου, έχει καθολικοποιήσει την περιβαλλοντική κρίση. Τα περισσότερα προβλήματα είναι εξ ορισμού διεθνή και διασυνοριακά, είτε πρόκειται για την αποψίλωση των δασών, την καταστροφή του όζοντος, το φαινόμενο του θερμοκηπίου, τα πυρηνικά απόβλητα, τη μόλυνση των θαλασσών, κ.λ.π.

Να σημειώσουμε εδώ ότι η διεθνοποίηση (μετεγκατάσταση ρυπογόνων βιομηχανιών στο Νότο, κ.λ.π.) σε συνδυασμό με την έκρηξη του δημογραφικού παράγοντα στον τρίτο κόσμο και το τεράστιο χρέος των χωρών αυτών, τις εξαναγκάζει σε μια πολιτική εντατικοποίησης των εξαγωγών, γεγονός που οδηγεί σε μεγάλης κλίμακας καταστρεπτικά για το περιβάλλον έργα με σκοπό την εισροή συναλλάγματος για την

εξυπηρέτηση του χρέους. Οι φτωχές χώρες εξωθούνται να παράγουν για τη διεθνή αγορά, γεγονός που αποδιαρθρώνει τις τοπικές κοινωνίες και τα παραγωγικά τους συστήματα.

4. Η νέα οικονομία

Ταυτόχρονα όμως με την παγκοσμιοποίηση συντελείται και μια δεύτερη μετάλλαξη στον σύγχρονο κόσμο. Αν τον τελευταίο αιώνα το καπιταλιστικό σύστημα χαρακτηρίστηκε από το φορντικό μοντέλο παραγωγής, δηλαδή την μαζική παραγωγή τυποποιημένων προϊόντων, τώρα εισέρχεται σε μια νέα φάση ανάπτυξης, όπου οι βιομηχανίες της γνώσης και της πληροφορίας, οι εργάτες της γνώσης, η πληροφορία, είναι οι πηγές του πλούτου και της δύναμης (J.Rifkin, 1996, σελ.40).

Σήμερα, σχεδόν σε όλες τις αναπτυγμένες χώρες, συντελείται μια διαδικασία από-υλοποίησης της οικονομικής δραστηριότητας. Ο οικονομικός πλούτος στηρίζεται όλο και λιγότερο στην κατοχή υλικών στοιχείων (φυσικοί πόροι, γη, μηχανήματα) και όλο και περισσότερο σε μη υλικούς παράγοντες, όπως η γνώση, η πληροφορία, η έρευνα, η διαφήμιση, η χρηματοπιστωτική δραστηριότητα, η αντικειμενοποιημένη γνώση σε τεχνολογικά προηγμένα παραγωγικά μέσα (Η/Υ, ρομπότ, πολυμέσα).

Οι πιο ισχυρές επιχειρήσεις στον κόσμο δεν είναι αυτές του χάλυβα, της κλωστοϋφαντουργίας ή του πετρελαίου, αλλά της μικροηλεκτρονικής, της πληροφορικής και των επικοινωνιών (R.Petrella, 1994, σελ.10)

Χαρακτηριστικό παράδειγμα είναι ότι ανάμεσα στις πρώτες είκοσι βιομηχανικές επιχειρήσεις στον κόσμο σήμερα συγκαταλέγονται έξι εταιρείες του τομέα της πληροφορικής, όταν πριν είκοσι χρόνια δεν υπήρχε καμία.

Προοπτικά η αυξανόμενη πληροφορικοποίηση της κοινωνίας θα οδηγήσει σε μια υπέρβαση της κοινωνίας της παραγωγής και στην έλευση της κοινωνίας της γνώσης και της πληροφορίας, περνώντας από την παραγωγή υλικών αγαθών στην παραγωγή και αναπαραγωγή γνώσεων, πληροφοριών και συμβόλων (A.Gorz, 1986, σελ.130).

Το γεγονός αυτό σημαίνει ότι οι διαδικασίες της παραγωγής υλικών αγαθών θα αποκτήσουν δευτερεύουσα σημασία σε σχέση με τις διαδικασίες παραγωγής και μετάδοσης της πληροφορίας και άρα στις κοινωνίες της πληροφορίας θα έχει μετατεθεί το κέντρο βάρους από την παραγωγή υλικών αγαθών στην παραγωγή, αναπαραγωγή και μετάδοση

πληροφορίας (M.Porat, 1976).

Η αυξανόμενη πληροφορικοποίηση της παραγωγής αλλά και της καθημερινής ζωής αποτελεί σήμερα μια πραγματικότητα, η οποία θα είχε μάλιστα επιταχυνθεί ακόμα περισσότερο αν δεν συνέχιζε να καθυστερεί η εκβιομηχάνιση του Τρίτου Κόσμου.

Η πληροφορικοποίηση του αναπτυγμένου κόσμου επιβραδύνεται γιατί ο Τρίτος Κόσμος στηρίζει ακόμα το ανταγωνιστικό του πλεονέκτημα στην φτηνή εργασία.

5. Τα χαρακτηριστικά της νέας οικονομίας

Οι κοινωνίες της γνώσης και της πληροφορίας ειδικότερα χαρακτηρίζονται από:

1. Αύξηση των «μη υλικών επενδύσεων» στο σύνολο του επενδυμένου κεφαλαίου, στα πλαίσια μιας παραγωγικής μονάδας, και ιδιαίτερα των δαπανών για Έρευνα και Ανάπτυξη.

2. Η αύξηση όμως των «μη υλικών» επενδύσεων, η αυξανόμενη ροή γνώσης στο παραγωγικό σύστημα, οδηγεί σε μία μετατροπή της παραγωγικής διαδικασίας από εντάσεως πρώτων υλών και ενέργειας σε εντάσεως γνώσης. Το ποσοστό των πρώτων υλών που χρειάζεται μια βιομηχανική μονάδα σήμερα είναι μόλις το 40% του αντίστοιχου ποσού που απαιτούνταν στις αρχές του προηγούμενου αιώνα.

3. Η καθοριστική σημασία της πληροφορίας και της πνευματικής εργασίας στην παραγωγική και αναπαραγωγική διαδικασία έχει οδηγήσει σε μία διεθνώς αυξανόμενη ροή πληροφοριών, οι οποίες αποτελούν σημαντικό μέρος του διεθνούς εμπορίου, γεγονός που τροποποιεί τους όρους του ανταγωνισμού. Η νέα ανταγωνιστικότητα στηρίζεται στον σχεδιασμό του προϊόντος, στην καινοτομία., την έρευνα, τη διαφήμιση, τα συστήματα οργάνωσης, την υλοποιημένη σε τεχνολογικά συστήματα γνώση. Τα προϊόντα πλέον επιβάλλονται με "την εικόνα" τους, την καινοτομία, τη συμβολική αξία τους.

4. Η γνώση και η πληροφορία αποτελεί πλέον ένα στρατηγικής φύσης εμπόρευμα, γεγονός που οδηγεί σ' έναν αυξανόμενο ανταγωνισμό κεφαλαίων για τη μονοπώλησή της, την ατομική της ιδιοποίηση. Όλες οι χώρες πολλαπλασιάζουν σήμερα τις ενέργειές τους για να αυξήσουν τα

ιδιοκτησιακά τους αποθέματα σε πληροφορίες και να τα προστατεύσουν από τους ανταγωνιστές τους. Η παγκοσμιοποίηση δε της παραγωγής και η δημιουργία υπερεθνικών μονοπωλίων, με τεράστιες ανάγκες σε ροές πληροφορίας, έχει δημιουργήσει ένα παγκόσμιο δίκτυο ροής πληροφοριών (λεωφόροι της πληροφορίας), αυξάνοντας έτσι το βαθμό διασύνδεσης των οικονομιών και αποδυναμώνοντας τον έλεγχο των κρατών πάνω στους πληροφοριακούς τους πόρους.

5. Η συγκέντρωση του κεφαλαίου σε δραστηριότητες παραγωγής πληροφορίας συμβαδίζει επίσης σήμερα με την επέκταση της ατομικής ιδιοκτησίας στον χώρο της πληροφορίας, στον βαθμό που η πληροφορία, ως στρατηγικής φύσης εμπόρευμα, τείνει να έχει την ίδια σημασία που είχε στο παρελθόν ο έλεγχος των αποθεμάτων σε χρυσό ή σε πετρέλαιο ή ακόμη η κατοχή των μέσων παραγωγής. Στόχος των μονοπωλίων της γνώσης και των τεχνολογικά ηγέτιδων χωρών είναι να περιορίσουν τη διάχυση της πληροφορίας στη κοινωνία, να μειώσουν τις απώλειες των πωλήσεων λόγω παραβίασης του copyright και των ευρεσιτεχνιών από τρίτους (χώρες ή επιχειρήσεις).
Έτσι αν μέχρι πριν μερικά χρόνια οι γνώσεις δεν είχαν ιδιοκτήτη, αποτελώντας κοινωνικό αγαθό στο οποίο είχε πρόσβαση το κοινωνικό σύνολο, η μετατροπή σήμερα της γνώσης και της πληροφορίας σε εμπόρευμα οδηγεί σε μία ιδιοκτησία πάνω στις ιδέες.

6. Οι τεχνολογίες της πληροφορίας προσφέρουν επίσης ένα σημαντικό πλεονέκτημα, επιτρέπουν τη μείωση της απόστασης ως συντελεστή κόστους, μεταβάλλοντας τη γεωγραφία της παραγωγής. Η πληροφορία και η γνώση μέσω των πληροφοριακών δικτύων γίνεται πλανητική, η παραγωγή διαχέεται στον χώρο, κατακερματίζεται σε μικρότερες μονάδες και ταυτόχρονα συγκεντροποιείται ο έλεγχος και η διαχείριση στην έδρα της επιχείρησης, μέσω του ελέγχου της ροής των πληροφοριών.

7. Είναι σημαντικό εδώ να αναφερθούμε στις πόλεις των γνώσεων, στις τεχνοπόλεις. Πρόκειται για πόλεις – περιφέρειες που ενισχύονται από το κράτος και όπου συνυπάρχουν κέντρα έρευνας, πανεπιστήμια, συμπλέγματα βιομηχανιών υψηλής τεχνολογίας, κ.λ.π. Οι ανεπτυγμένες χώρες, οι οποίες καθορίζουν την παραγωγή πληροφορίας, έρευνας και καινοτομίας, εγκαθιστούν ένα παγκόσμιο γνωστικό και πληροφοριακό δίκτυο πλουσίων πόλεων-περιφερειών, όπου τα δύο τρίτα της ανθρωπότητας, οι εισοδηματικά και "πληροφοριακά" φτωχοί του

Τρίτου Κόσμου και του Βορρά, είναι σήμερα αποκλεισμένοι απ' αυτό.

8. Στα πλαίσια του νέου μοντέλου ανάπτυξης και κοινωνίας, η χειρωνακτική εργασία χάνει τη καθοριστική και σχεδόν αποκλειστική σημασία, που είχε στο παρελθόν ως πηγή του κοινωνικού πλούτου και του κέρδους και αναβαθμίζεται η πνευματική εργασία, που περιέχει μεγάλο εύρος γνώσεων, δεξιοτήτων, πολυειδίκευσης. Το ανθρώπινο κεφάλαιο, η επένδυση δηλαδή για την ανάπτυξη των ανθρώπινων ικανοτήτων, η γνώση ως στοιχείο της εργασίας, αποτελούν το κινητήριο μοχλό του νέου μοντέλου ανάπτυξης (R.Lucas, 1988; P.Romer, 1986).

9. Ο καπιταλισμός τελικά εξαϋλωσε τις κύριες παραγωγικές δυνάμεις:την εργασία και το πάγιο κεφάλαιο. Η πιο σημαντική μορφή του πάγιου κεφαλαίου (μηχανική γνώση) θα είναι η αποθηκευμένη γνώση και η πιο σημαντική μορφή της εργατικής δύναμης είναι η νόηση (ζωντανή γνώση).

10. Οι παραπάνω εξελίξεις σε συνδυασμό με την διείσδυση του Ίντερνετ σε όλο τον ανεπτυγμένο κόσμο οδηγούν στην γέννηση μιας δικτυωμένης οικονομίας, μιας κοινωνίας των δικτύων. Βρισκόμαστε μόνο στην αρχή ενός εξαιρετικού κοινωνικο-οικονομικού μετασχηματισμού.

6. Συμπεράσματα

Οι βιομηχανίες της γνώσης, τα διεθνοποιημένα μονοπώλια της πληροφορίας, σε συνδυασμό με τις νέες τεχνολογίες της πληροφορίας, οδηγούν τελικά σε μια ανανέωση του οικονομικού συστήματος, σε μια μετάβαση, από τη φάμπρικα και τη μαζική παραγωγή τυποποιημένων προϊόντων, στην πληροφορικοποίηση, στην οικονομία της γνώσης (D.Ταρscott, 2000, σελ.80).

Η νέα πηγή του πλούτου και της εξουσίας είναι η γνώση και η πληροφορία, οι οποίες αποτελούν τον κύριο παραγωγικό συντελεστή είτε ως πνευματική εργασία (ζωντανή εργασία), είτε ως κεφάλαιο με τη μορφή του εμπορεύματος γνώση και των σύγχρονων τεχνολογικών συστημάτων (νεκρή πνευματική εργασία).

Είναι λοιπόν αναμφισβήτητο ότι εισερχόμαστε στις κοινωνίες της πληροφορίας, παρότι η διαδικασία πληροφορικοποίησης δεν έχει ολοκληρωθεί, δεν περιλαμβάνει όλον τον πλανήτη και δεν έχει ακόμα οδηγήσει σε μια μαζική κατανάλωση πληροφοριακών προϊόντων (οικιακή χρήση του υπολογιστή και του CD-ROM,τράπεζες και δίκτυα

πληροφοριών, χρήση των νέων προϊόντων εικόνας , ήχου, κειμένου, κ.λ.π.).

Η οικονομική ανάπτυξη, στην εποχή των κοινωνιών της πληροφορίας, εξαρτάται στενά από τον τρόπο από τον οποίο παράγονται, χρησιμοποιούνται και μεταδίδονται οι γνώσεις, από την επένδυση στην γνώση (T.Stonier, 1987, σελ. 98).

Η γνώση, η καινοτομία, η επανειδίκευση, ή δια βίου εκπαίδευση, κερδίζουν έδαφος σε σχέση με την εμπειρία και την παράδοση. Γι' αυτό η εγκατάσταση σήμερα δικτύων και συστημάτων που επιτρέπουν την συστηματική, γρήγορη, φτηνή, μαζική και αποτελεσματική διάδοση της γνώσης και της πληροφορίας είναι στρατηγικής σημασίας ζήτημα για την επιτάχυνση της οικονομικής ανάπτυξης.

Οι νέες τεχνολογίες της τηλεπικοινωνίας είναι οι ηλεκτρονικοί λεωφόροι της εποχής της πληροφορίας και διαδραματίζουν τον ίδιο ρόλο που έπαιξαν οι σιδηρόδρομοι την εποχή της εκβιομηχάνισης. Άλλωστε η διεθνοποίηση της παραγωγής εξαρτάται όλο και περισσότερο από τις τεχνολογικές δομές που περιλαμβάνουν τον πόλο της επιστήμης (ερευνητικά κέντρα, ιδρύματα τριτοβάθμιας εκπαίδευσης), τον πόλο της τεχνολογίας (βιομηχανίες παραγωγής νέων τεχνολογικών μέσων), τον πόλο των υπηρεσιών (παροχή υπηρεσιών μάρκετινγκ, μάνατζμεντ, επιμόρφωσης, πολιτιστικών προϊόντων, κ.λ.π.). Ταυτόχρονα βέβαια οι τεχνολογικές δομές αναπτύσσονται και επεκτείνονται λόγω της παγκοσμιοποίησης.

Στις σύγχρονες λοιπόν «μεταβιομηχανικές» κοινωνίες, με τη συμβολή των τεχνολογιών της πληροφορίας, η χειρωνακτική εργασία έχει χάσει την αποκλειστική σημασία που είχε στο παρελθόν ως πηγή του κοινωνικού πλούτου και έχει παραχωρήσει τη θέση της στην επένδυση σε ανθρώπινο κεφάλαιο.

Την παραγωγή δηλαδή έρευνας, επιστήμης, εκπαίδευσης, τεχνολογίας, συστημάτων οργάνωσης, σχεδίου, λογισμικού, διαφήμισης, πληροφορίας, κ.λ.π. Ο άνθρωπος κατά μια έννοια είναι επενδυτικό αντικείμενο, έτσι ώστε αυτό που παράγει το μεγαλύτερο μέρος του πλεονάσματος είναι η οικονομική σημασία της επένδυσης σε ανθρώπινο κεφάλαιο, οι γνώσεις κατάρτισης του ανθρώπινου δυναμικού και οι υπηρεσίες χρήσης των γνώσεων, η παραγωγή του εμπορεύματος γνώση.

Η γνώση άλλωστε δεν αποτελεί απλώς μια άλλη μορφή εισροής στην παραγωγική διαδικασία, αλλά καθορίζει τον τρόπο με τον οποίο χρησιμοποιούνται οι άλλες εισροές και πολλαπλασιάζει την αποτελεσματικότητά τους.

Το γεγονός αυτό έχει διευρύνει ποιοτικά και ποσοτικά την έννοια της παραγωγής, έτσι ώστε δεν παράγει κανείς μόνο μέσα παραγωγής ή καταναλωτικά αγαθά, ως εμπορεύματα, αλλά και πληροφορία, γνώση, έρευνα, πολιτιστικά προϊόντα (T.M. Suzuki, 1986,σελ.70).

Με βάση την παραπάνω προβληματική προκύπτει το ακόλουθο ερώτημα: Πρέπει κανείς να αντισταθεί στην παγκοσμιοποιημένη οικονομία της γνώσης σε εθνικό επίπεδο ή να αγωνιστεί μέσα στο πλαίσιο της υπάρχουσας παγκοσμιοποίησης για μια διαφορετική παγκοσμιοποίηση που θα διέπεται από ένα πλανητικό αναπτυξιακό όραμα και μια πλανητική διάχυση των τεχνολογικών εξελίξεων;

Είναι δυνατή, σε συνθήκες παγκοσμιοποιημένης οικονομίας της γνώσης, και σε ποια κατεύθυνση , η άσκηση περιφερειακής και τοπικής αναπτυξιακής πολιτικής;

Πρόκειται για σημαντικά ερωτήματα που δεν εμπίπτουν όμως στις "φιλοδοξίες" του παρόντος άρθρου.

Παγκοσμιοποίηση και νέα οικονομία αποτελούν δύο παράλληλες διαδικασίες (Κ.Μασμανίδης, 2000, σελ. 60), αλληλοεξαρτώμενες, που αναμένεται να αλλάξουν τη μορφή του σύχρονου κόσμου. Η νέα φάση στην οποία εισέρχεται το οικονομικό σύστημα είναι όμως σε εξέλιξη, είναι ανολοκλήρωτη (P. Hirst and G. Thompson, 2000, σελ.20).

Η νέα οικονομία, η οικονομία της γνώσης, δεν αποτελεί ακόμα την κυρίαρχη παραγωγική δομή και οι αγορές προϊόντων, κεφαλαίου και εργασίας δεν είναι πλήρως παγκοσμιοποιημένες (Κ. Βεργόπουλος, 1999).

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STATE OWNED ENTERPRISES, PRIVATIZATION AND THE PUBLIC INTEREST: EVIDENCE OF O.E. PERFORMANCE IN THE GREEK MANUFACTURING

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Abstract

Dimitrios S. Salamouris - George E. Halkos: *State Owned Enterprises, Privatization and the Public Interest: Evidence of S.O.E. Performance in the Greek Manufacturing.*

In this study a brief description of the policy options for the control of public enterprise under different market structures is presented. A critical examination of the drawbacks of some similar studies in the international literature is also attempted. Moreover, using a number of suggested financial efficiency ratios a measurement of the efficiency of the state controlled enterprises for the time period 1978-1991 is also attempted. The main conclusions drawn from this study are, a) public owned enterprises exhibit continuously for all the period of the study lower efficiency on average compared to the average efficiency of the Industry sectors in which they belong and b) competition contributes positively in increasing efficiency, but it is rather considered as a necessary condition than a sufficient condition for the attainment of the overall economic efficiency. Conversely, the ownership form appears to be of critical importance.

JEL: A1, D2.
Keywords: Privatization, State own enterprises, Greek Manufacturing.

1. Introduction

In recent times government policies involving the transfer of S.O.E. (State Owned Enterprises) from the Public to the Private sector have become the central issue of the policy debate. Domberger & Piggot (1986),

suggest that privatization is associated with the desire for "smaller" government and it is a politically charged term. With this term, is used to describe almost any attempt to improve public sector performance.

The reasons for the increasing popularity of the privatization measures all over the world can be easily described. S.O.E. have been proved wasteful and inefficient, producing at high cost low quality products and services. They are usually overstaffed as governments use them as a tool for the maintenance of macroeconomic goals such as low unemployment. Kikeri & Nellis (2002), argue that S.O.E. are often protected from competition and also instructed to keep their prices low, resulting in mounting financial losses. This in turn leads to bailouts and fiscal strains both on government budgets and to the banking system. Governments cover S.O.E. losses with fiscal transfers. This financing through the Banking system increases intermediation costs, reducing the private sector's access to credit and endanger the overall financial sector viability.

In the international literature there are conflicting evidences regarding the superiority of the one over the other ownership regime. A number of studies that support the superiority of public ownership are those of Meyer (1975), Yunker (1975), Lindsey (1975), Primaux (1977), Edwards and Stevens (1978), Omran (2001).

Some other studies, such as, Caves (1990), Dyck (1997), Wasserfallen & Muller (1998), Martin & Parker (1995), Bortoloti et. al. (1998), Newberry & Pollitt (1997), Bitros & Salamouris, (1992), Cragg & Dyck (1999), support the thesis that private ownership leads to more efficient outcomes.

Also, as it follows from another set of empirical studies there is no difference in efficiency between private and public ownership and more specifically what is supported is that, the main factor that leads to increased efficiency in the use of resources is the existence of an adequately competitive environment irrespectively of the ownership structure, (Domberger and Piggot, (1986), Dunshire et al., (1991), Borcherding et.al. (1982), Savas (1977), Vickers and Yarrow (1988), Span (1977), Davies (1971), Davies, (1977), Kay and Thompson, (1986), Pryke, (1981), Hartley et. al. (1991), Marsh, (1991).

Therefore, the critical policy questions are, a) whether to transfer the ownership to the private sector, or b) to transfer the ownership together with policies for increased competition, or c) to expose the public enterprises into competition. The crucial question again is whether competition is a necessary or a sufficient condition to achieve efficiency.

The remaining part of this study is organized as follows. In the next section some theoretical and empirical issues on the privatization debate is described. Then, the methodology and the financial ratios employed are presented. The results obtained are analyzed and finally, we end to conclusions and policy implications.

2. Some theoretical and empirical issues on the privatization debate

For the maximization of social welfare it is necessary that both, S.O.E and private enterprises to attain maximization of the overall economic efficiency, (technical efficiency and allocative efficiency). An allocation is efficient if the existing resources in the economy cannot be reallocated without making somebody worse off even when lump – sum transfers are feasible. The necessary conditions for an efficient allocation include the marginal equivalences consistent with a competitive equilibrium. Under perfect competition the competitive forces of the market generate a pattern of resource use, which approximates an optimal allocation. There are also two cases where the market seems to fail in its allocative role. The first is when there are increasing returns to scale in the production of particular commodities and the second is the externalities, where the marginal social benefit exceeds the marginal private benefit. The solution of these problems is related either with the public ownership of these natural monopolies or with the private ownership of these enterprises under regulation, which is applied by regulatory bodies, appointed by the government. It is obvious that no regulation of private monopoly enterprises is inefficient since does not provide with the incentives the private monopolist to achieve allocative efficiency. However the monopolist has an incentive to achieve technical efficiency. The following diagram presents some of the most usual forms of ownership structure.

The main argument for the support of public ownership is that social welfare is promoted mainly because public enterprises defend employment, use their power for income redistribution, promote balanced development of the economy, promoting this way allocative efficiency. On the other hand public sector management does not behave in a way consistent with

cost minimization since profit maximization is not a goal of primary importance. Given that the attainment of distributive efficiency that publicly controlled enterprises are trying to achieve, strongly prerequisites the achievement of technical efficiency (since otherwise they would waste scarce resources) we can simply draw a conclusion that public ownership could be a policy choice only when they behave technically efficient.

Diagram 1: Market structure and forms of ownership
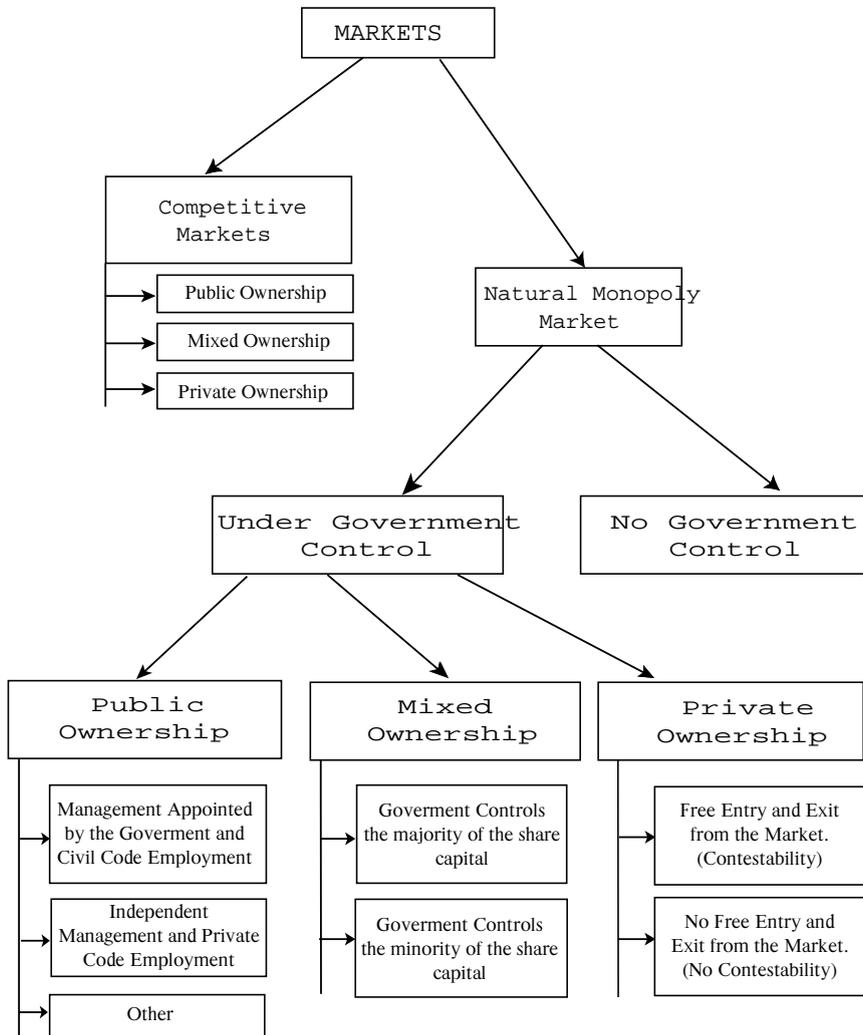
During the post war period we observe the tendency the state to maintain full employment and income redistribution policies through the public enterprises of both monopoly or competitive sector of the economy. The experience acquired from the operation of public enterprises in the monopoly – oligopoly sector on efficiency issues is mixed. In some cases private firms perform better than the public ones while in others the opposite holds. Conversely, studies, which measure the comparative efficiency of public and private firms in the competitive sector of the economy show that on efficiency grounds private firms are more efficient than public owned ones. In this study the same result seems to hold since for all the period of the study publicly controlled firms exhibit lower efficiency levels than the corresponding average firm of the industry these firms operate.

Before we proceed to the examination of the efficiency of S.O.E. in Greek manufacturing it is interesting to refer to some imperfections of several studies which attempted to compare the performance of private and public Enterprises. Many researchers consider some markets as competitive while this does not hold in practice. Studies such as Neumberg (1977), Pescatrice and Trapani (1980), Atkinson and Halvorsen (1986), De Alessi (1974, 1977), which dealt with the measurement of performance in electric utilities industry, Pier et. al. (1974), in refuse collection, conserned firms which comprise geografical monopolies and therefore they did not compete directly among them. Hence, all the conclusions drawn from these studies are basicaly refered to comparisons of public and private enterprises in non competitive markets. These studies although they contribute in the examination of the consequences of the ownership structure in a non competitive environment do not assist in any conclusion relative to role of ownership in competitive sectors. So the results which support the thesis of the superior importance of competition over the importance of the ownership structure should be threated with caution.

Another set of studies dealing with the comparison of private versus public firms regard duopoly cases. Some of these studies are those of Forsyth and Hocking (1980), Jordan (1981), Davies, (1977, 1971), Pryke (1982), Kirby (1979), which measure the comparative efficiency of airlines, Caves and Cristensen (1980), Caves et. al. (1982), which are dealt with the comparison of railway companies. It is important to stress that these duopoly markets were treated in their analysis as competitive. As a consequence the re-

sults which support competition superiority as a basic determinant for economic efficiency is considered as ambiguous. Vining and Boardman (1992), Tzouanaki et. al. (2002), argue that in these markets there is no competition since many of the lines were not common for the companies under consideration but also it is observed increased regulation that to a great extent cancelled the competition in prices between the companies.

3. The performance of S.O.Es in competitive environment.

In this part of the study we examine the performance of enterprises which operate in competitive environment and their ownership structure is either mixed with the State to control the majority of the share capital, or enterprises in which the State controls the total of the share capital. In both categories the state appoints the management of these enterprises. Hence, examining the performance of these firms over time we are able to conclude relative to whether these firms are achieving the economic efficiency in its both dimensions, technical and allocative. Also, comparing the average performance of these enterprises with the average performance of the Industry in which they belong, we can reach conclusions for the superiority of one ownership structure over the other.

The three State banks, the Commercial Bank of Greece, the Ionian and Popular Bank of Greece and mainly the National Bank of Greece controlled for the period under examination (1978 – 1991) approximately the 80% of the banking sector works. Among others, one of their activities is the participation in the share capital of either financial or non-financial enterprises, which operate in several sectors of the economy. These enterprises were operating in the private sector before but due to their poor financial performance their ownership transferred to the public sector through the banking system. In our sample we strictly include those enterprises that National Bank of Greece control more than 50% of their share capital and operate in the competitive sectors of the economy.

3.1. Methodology

Our sample includes twenty-three State owned manufacturing enterprises that operated continuously in manufacturing from 1978 to 1991[1]. Using ra-

tio analysis, the performance of sample enterprises is compared to the average efficiency of the industry sectors these firms belong. To ensure the higher comparability possible sample firms were grouped into 10 two digit Standard Industrial Classification Industries, and the ratios were divided by the number of firms. Then we compared their performance with the corresponding average two-digit industry level one[2].

Considering that sample firms, had been continued to operate in the same industry sector after their transfer to the public sector, we draw conclusions relative to their comparative performance before and after the ownership transfer. More specifically, we examine whether indirect state control through the banking system has been proved to be an efficient policy measure in performance terms or not. Any variation in performance is attributed to differences in technical efficiency and by extension to the relative management efficiency of the different ownership regimes.

Financial statement analysts suggest that a plethora of financial ratios can be used as indicators of a firm's performance, none of which provides us with an adequate indicator of a firm's efficiency on its own. Hence, in this study by selecting a representative number of ratios, which reflect different dimensions of a firm's performance, we attempt to satisfy all the most important performance indicators. The selected financial ratios, which are used as performance measures, are defined as follows:

i) Return on Total Assets $= \dfrac{\text{Net Profits}}{\text{Total Assets}}$

ii) Net Profit Margin $= \dfrac{\text{Net Profits}}{\text{Net Sales}}$

iii) Remuneration per Employee $= \dfrac{\text{Salaries + other Employers Charges}}{\text{Number of Employees}}$

iv) Net Profit per Employee $= \dfrac{\text{Net Profits}}{\text{Number of Employees}}$

v) Machinery
Acc/ted Depreciation $= \dfrac{\text{Machinery Accumulated Depreciation}}{\text{Machinery before Depreciation}}$

vi) Liquidity (Current Ratio) = $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

These financial ratios reflect respectively: Profitability (R.T.A., N.P.M.), employees' performance and the relation between remuneration and productivity (N.P.E., R.E.), technological infrastructure[3], (M.A.D.) and liquidity position (C.R.). By implication, a high ranking in the most of the chosen ratios is considered, other things being equal, to reflect a strong financial position.

3.2. Results

The results obtained from the analysis of the selected ratios are quite interesting. State own enterprises appear to exhibit inferior efficiency compared to the efficiency of their private counterparts. As indicated in figures 1, 2 the R.T.A. and N.P.M. ratios are continuously negative for SOE for all the period of the study, taking their lowest value the period 1985 - 1986. It is important to observe that at the beginning of the period under consideration (1978), the average Industry performance was nearly equal to the average performance of S.O.E. Also the government stabilization program applied from 1985 to 1987 contributed to the improved performance of public enterprises. However, the efficiency difference between the public enterprises and the average firm of the industry remain almost unaltered. These ratios clearly show us that state controlled enterprises are managed with a model, which diverge from the respective one of the private firms in economic efficiency terms. However, we should also note that the average private sectors profitability, although it is much better than S.O.E.'s one, indicates the acute problems of the Greek manufacturing, since from 1982 to 1987 profitability was also negative for the average private enterprise.

One of the main reasons, which provide explanation for the inferior performance of State owned Enterprises is related to the cost of labour. The cost of labour as shown in figure 4 is continuously increasing for all the period of the study. The increase in wages had been exceeded the average labour cost increase of the industry. We should notice that the average remuneration cost was nearly the same for the year 1980[4] for both S.O.E and

private firms. Combining the above with the results presented in figure 3, where the profit per employee shows a significant deterioration for sample enterprises over time (especially for the time period 1983 to 1991) we can realize the paradoxical phenomenon, of continuously increasing remuneration per employee while by the same time there is a continuously increasing loss per employee.

Conclusions relative to the level of technological infrastructure of the sample firms compared to the average industry level can be drawn from the machinery accumulated depreciation ratio (Figure 5). It is shown that after 1980 sample enterprises renew with lower trend their technological infrastructure and consequently they have older technological equipment. Using this result with combination of the results drawn from figures 3, 4 we can argue that sample firms are becoming more labour intensive.

Finally, mixed results can be drawn from the liquidity ratio in figure 6. Therefore we cannot reach a valid conclusion relative to the superiority of the one-ownership structure over the other. More specifically the liquidity position of State controlled enterprises is similar to the average industry firm liquidity. However we should take into consideration that these firms belong to the National Bank of Greece therefore it is easier for them to have access in capital. This can explain the long living of these enterprises, which while they face acute financial problems they continue to operate.

Comparative analysis of S.O.E. and Industry financial ratios

Figure 1
RETURN ON TOTAL ASSETS

Figure 2
NET PROFIT MARGIN
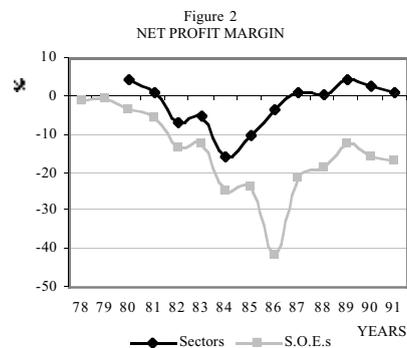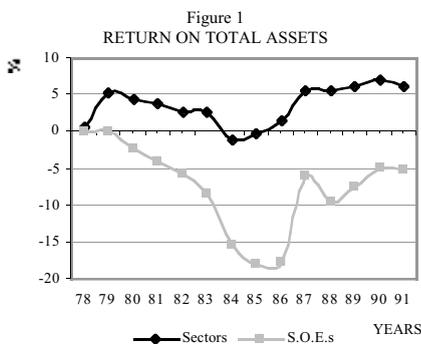
Figure 3
NET PROFIT / EMPLOEE
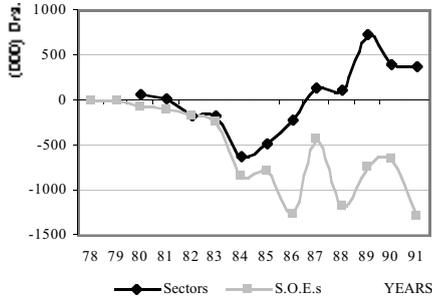
Figure 4
REMUNARATION / EMPLOYEE
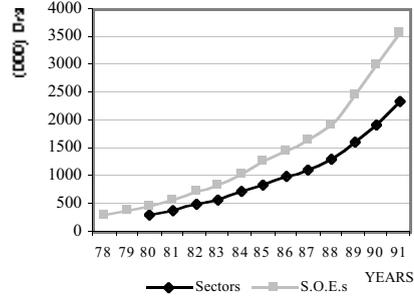
Figure 5
MACHINERY ACCUMULATED
DEPRECIATION
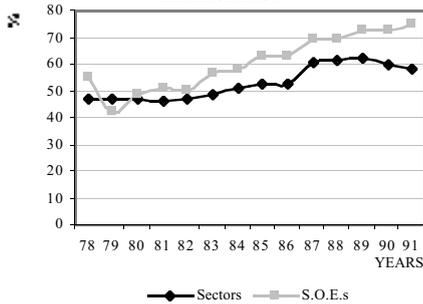
Figure 6
LIQUIDITY
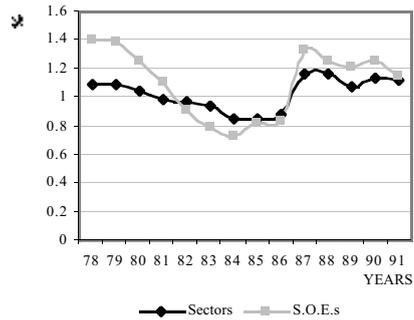
The derived results from this study indicate that the transfer of enterprises from the private sector to the public sector through the banking system is not an effective policy measure since does not lead these enterprises to increased efficiency levels. There are a series of reasons that public ownership leads to inefficient results. The most important reason is that the state dictates to the management of the firm price, investment, personnel policies etc. These policies very often diverge from the respective optimal private policies. This sometimes results to deficits for the public owned firms. State then subsidizes the deficits and the enterprises remain in the market. Many studies in the international bibliography refer losses subsidization by the state as the main reason that public sector management does not face the risk of bankruptcy and consequently assign low priority to cost reduction policies, Provopoulos (1985), Megginson et. al. (1986), Kotsogiannis and Makris, (2002).

The deterioration of the financial position of the majority of the enterprises that were operating under the indirect control of the state, leaded to the creation of the Industrial Reconstruction Organization S.A. (IRO)[5]. IRO companies can be grouped in four distinct categories with different characteristics. The first category concerns ex-private companies that their poor financial performance led them to the introduction to IRO. The second category concerns ex-private companies which where spent a period under IRO management and they were transferred to the private sector afterwards. A third category concerns publicly owned companies that were introduced in IRE voluntarily. A fourth category concerns a number of companies that were established from IRO. This policy action prescribed from the persuasion of policy makers that IRO management would be equally or more efficient than the corresponding private management. This belief is supported from the fact that, all these companies spent a long period of time under the control of the organization. The results on performance of firms that run under IRO management are mixed since some of the enterprises bankrupted while some others finally were transferred to the private sector.

4. Conclusions and policy implications

Privatization policies are designed in order to substitute the single objective of maximizing profits for the typically mixed objectives of public enterprises, and exposure to the benefits and penalties of monitoring of the capital markets focusing on the task of raising revenues and lowering cost. The results of this study support the thesis that the indirect control of manufacturing firms that were operating in the competitive sector of the economy, by the state through the banking system was not an efficient policy measure since public owned firms exhibited lower efficiency than the corresponding average efficiency level of the Industry for all the study period. Considering nationalization of the inefficient enterprises as a measure to secure employment seem to be mistaken on two grounds. The most obvious result is the distortion of the competition in the market, and the second and more important is that it is not a permanent solution since these enterprises finally may bankrupt as the experience shows.

NOTES

1. The initial sample was significantly larger. However, data limitations restricted the analysis to the 23 finally chosen enterprises. Also, a large amount of enterprises excluded from the sample since the percentage of their share capital controlled by National Bank of Greece was less than fifty per cent, while some others were excluded since they were not operating in the manufacturing sector.

2. The data used for the ratio calculations are derived from balance sheets and income statements of the sample enterprises while the data for the industry sectors were collected from the National Statistical Service of Greece and from the Annual reports of the Industry, published from the Confederation of Greek Industries.

3. This ratio is included in the analysis, since it is considered as the most appropriate to measure the age of the technological infrastructure of a firm. This ratio indicates us how often a firm renews its production equipment.

4. There are not available data for the average industrial sectors remuneration for the year 1978 - 1979.

5. The main purpose of this organization was to reconstruct "problematic" enterprises. The purpose for setting up this organization is clearly specified in the law 1386/08-08-1983, article 2, paragraph 2, 3. More specifically, the main purpose of the organization is to contribute to the social and economic development of the country by a) the economic reform of the enterprises, which are members of the organization, b) the introduction and application of advanced foreign technology as well as with the development of local technology, c) the establishment and operation of publicly owned enterprises or mixed economy enterprises. In the setting up law was provided that all these companies would be transferred to the private sector again after they have been reformed.

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A MISPLACED EMPHASIS IN THE ROLE OF LOCAL GOVERNMENT

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Abstract

Pantelis F. Kyrmizoglou: *A misplaced emphasis in the role of local government*

This paper focuses on the role of Local Government, as it is determined in the framework set by the Central Government. In most of the municipalities, the expectations of their citizens from the elected local authorities (irrespective of their political beliefs) exceed by far the tasks implemented by them. Considering the respective shares of responsibility, the reasons have to do both with the role of Central Government and the weaknesses of the municipalities themselves. The Central Government does not seem to trust municipalities, as both the delegation of authorities and the respective transfer of resources are very slow, limited and disputed. On the other hand, the Local Government does not take full advantage, even of the existing framework, which has to be rectified anyway. Under the current conditions the role of Local Government must become more active, facing the citizens not only as voters but in the same time as members of a community that desperately needs evidence of more and better services as a result of good administration with maximal transparency.

JEL classification System: R5 – Regional Government Analysis.
Keywords: Local Government, Central Government, Municipalities of Central Macedonia.

1. Introduction

The extensive area of a State in combination with the increase and dispersion of the population and the increased expectations for solutions in complicated local problems, led to the development of the decentralized system of administration. The need for decentralization is commensurate with the size of a State in terms of area, population and the will for a substantial treatment of local problems.

By the time it has been admitted that the local communities can handle many affairs of local importance more effectively. Therefore, Local Government was formed as a grade of decentralization, but varying from administrative decentralization in that in the latter, authority is transferred to regional instruments of the State, whereas in Local Government people elected directly by the people of the specific region exercise decisive authorities (Fanariotis, pp 193-271).

Law 2539/97 constituted a decisive step towards the redeployment of the Local Government forces, the rationalization and the more efficient functioning of the organizations of Local Government, so that through bigger and more effective units, they can offer their citizens better services with a more reasonable cost.

The extensive split of Local Government was certainly one of the more important obstacles in fulfilling its main objective, namely the better handling of the problems of local communities. However, even after the unifications of municipalities and the considerable reduction of their number, there is still plenty of doubt about their effectiveness. Indeed, a few years after the implementation of the "Kapodistrias" plan, the municipalities which arose from the unifications and the older ones (most of them were bigger than the new ones) have not convinced their citizens that they manage the available resources in the best way, neither that they offer the best services in the framework of their responsibilities.

The bigger size of the municipalities which came out as a result of the Law 2539/97, is considered by the citizens in various ways, as some think of it as a social affair and others face it as a growth affair. This matter has both technical and political aspects. The solutions chosen have to combine the political and social elements with the element of growth, which after all makes the presence of the municipality more visible and substantial in the area (Tatsos, pp 43-65).

In this paper we try to explain the reasons of the disputed role of municipalities. Our effort includes two parts: one concerning the responsibility of the municipalities themselves and the other one concerning the responsibility of the Central Government. To achieve our objective we interviewed members of the staff from the financial departments of twelve municipalities of Central Macedonia. We tried to have a representative sample by including urban, semi-urban and rural municipalities and excluding municipalities with an exceptional financial strength due to special conditions (for

example, presence of casino in the area, or functioning of sanitary rubbish disposal site). On the other hand, the extent of representativeness of our sample is somehow reduced, because the degree of easiness of access to the people interviewed was a decisive factor in our choice.

The municipalities of our sample had a budget of regular revenues amounting less than 3.000.000 euros and a population of less than 20.000 inhabitants (according to the results of the last census of the year 2001). As the interviewed staff has kindly requested us, we don't name the specific municipalities.

2. The role of municipalities

It is self-evident that municipalities don't seek the achievement of profit and even more its maximization. On the other hand, the management of big funds coming from their citizens, the State budget and E.U. programs, makes their function with an acceptable cost and the exercising of a reasonable and socially fair pricing policy, imperative. However, there is a series of reasons obstructing the achievement of the abovementioned objectives. The reasons can be summarized as follows:

2.1. Factors contributing to the high operating costs of the municipalities

2.2. Local authorities seeking to maximize their personal utility function

2.3. Lack of initiatives and the exercised pricing policy of the municipalities

We will try to analyze the abovementioned reasons relying mainly on the answers to the interviews taken.

2.1. Factors contributing to the high operating costs of the municipalities

The answers taken from the municipalities of our sample have shown that the following factors are considered as the most important in raising the cost of the municipalities.

• According to the existing institutional framework, the municipalities instead of bidding, they can proceed to direct assignments for the supply of materials which are parts of works (amounts up to 3463 euros), for the supply of computers, furniture etc. (amounts up to 15.000 euros), for

maintenance works (amounts up to 6926 euros). This possibility of direct assignments is used very often, on the pretext of speeding up the processes and avoiding the bureaucratic formulations. However, it often leads to a favorable treatment of specific suppliers and contractors for reasons known by the local authorities themselves. In any case the result is usually an excessive inflation of the cost due to the lack of competition. The more often recourse to direct assignments is observed in the smaller municipalities because of the interpersonal relations characterizing the smaller local communities and the lower value of the works carried out in them. The charging of the municipalities from the direct assignments becomes even higher, as in the most of the cases (11 out of the 12 municipalities) there is no respective coverage with Letters of Guarantee, resulting in an increased risk for the municipalities.

• Due to the big number of municipalities and their small average size, they cannot take advantage of economies of scale. Some efforts for inter-municipality cooperation have been successful but some have failed. A significant part of the problem has to do with the institutional framework and the lack of incentives. We have been told that a specific inter-municipality cooperation failed, because of the different expectations of the "cooperating" municipalities. For example, the joint establishment of a Receipts and Payments Service for two municipalities of our sample, failed because one of the Mayors had a different view on the way of payments. As the Cashier was an employee of the other municipality, the inter-municipality cooperation was led to failure.

• The composition of the staff in combination with the industrial relations status is an important factor leading to extra charges of the operating cost. The fact that only 17% of the staff at country level is graduates of tertiary education (the respective percentage in the rest of the public sector, is about 37%), implies lower labor productivity and creates great difficulties in the modernization of the municipalities. Big problems are caused from the promotion of staff according to seniority, resulting in promotions of individuals without adequate formal qualifications and the inertness or even indifference of those with higher qualifications. We could accept that somehow Peter's principle is applied, as we have promotion of staff in positions higher than their qualifications (Peter & Hall). The inability of the full application of the double-entry system is a char-

acteristic example of lack of trained staff and non-utilization of the existing staff. The payroll expenses of the permanent staff range from 10% to about 50% of the total expenses of municipalities (Ministry for the Interior). The respective percentages are higher in the bigger and older municipalities, which have more permanent staff. But these percentages are increased considerably, if we take into account the assignments made to private companies for specific projects (for example double-entry system, European programs etc). In the latter cases the extra charging of municipalities becomes even higher (due to the profits of private firms and the V.A.T.). In some cases the payroll expenses are in fact even higher, as some staff of the municipal companies are employed in the municipality. This is usually observed in small and medium sized municipalities. In the case of our sample, two out of the twelve municipalities employ staff whom the municipal companies, have hired, but in fact most of their work refers to the municipality itself. Nine out of the twelve municipalities have assigned the full application of the double-entry system to private firms and in fact the cost of their payroll is higher than they appear in the statistics of the Ministry for the Interior.

• The lack of internal control also plays important role in the high operating cost of the municipalities. The long delay in the adoption of the double-entry system is the main reason of the lack of internal control, but we should not overlook that in many cases there was a lack of will of the local authorities for control. It has often been observed that the local authorities (mainly in the small municipalities) taking advantage of the weaknesses of the institutional framework (the minority does not participate in the Mayoral Committee) proceeded in illegitimate actions (for example, personal public relations expenses of the local authorities are presented as expenses made for the real needs of the municipality).

2.2. Local authorities seeking to maximize their personal utility function

It seems that Oliver Williamson's managerial model is considerably confirmed in the Greek municipalities. As we know, this model assumes that managers in carrying out the affairs of the firm, they are motivated by their own best interests. According to Williamson, managers try to maximize their utility functions. The utility function can take the following form:

$$U = f\,(S,\ M,\ Id)$$

where   **U**   is the management's utility (the management of the municipality in our case)

 S   is the expenditure for the staff

 M   is management's slack

 $\mathbf{I_d}$ is discretionary investment (that part of investment above what is required for narrow economic reasons).

Our survey has shown that in the small municipalities the maximization of utility for the management of the municipality comes mainly through management's slack **(M)** and discretionary investment $(\mathbf{I_d})$ and less through the expenditure for the staff **(S)** (which seems to play a relatively more significant role in the bigger municipalities). Management's slack, which refers to lavish offices, personal secretaries, expense accounts etc, according to the staff interviewed, seems to play a (relatively) more significant role in the small and medium municipalities.

Discretionary investment spending (according to Mayor's judgment) is also relatively higher in the smaller municipalities. Indeed, this fact is confirmed as in the small municipalities there is more often recourse to direct assignments of the various works. Of course, the particular importance of these two parameters (**M** and $\mathbf{I_d}$), is stressed more due to the absence of substantial control, mainly because of the absence of minority in the Mayoral Committee.

On the other hand, the expenditure for the staff **(S)** is a decisive factor that determines management's utility in the bigger municipalities. Indeed, this is confirmed from the following ratio:

Cost of Payroll / Total Expenses

which ranges from 35 to 50 % for the bigger municipalities of the country and from 10 to 20 % for the smaller ones. (Ministry for the Interior)

According to the majority of the interviewed staff (8 out of 12 municipalities), the abovementioned development is often a deliberate choice of the management of the small municipalities, as in this way the parameters **M** and $\mathbf{I_d}$ that serve better and more directly the personal interests of the municipality's management, are strengthened even more.

In general, we have to note that the parameter **S** has been considerably

upgraded in most of the municipalities, as the total number of staff employed in Local Government has been increased from 5.000 people in the beginning of 80's to approximately 90.000 people nowadays (including the employment in the Municipal Companies)[1]. This development confirms the strengthening of the role of local authorities, as it shows their increasing political power and of course contributes to the increase of the municipality's management utility at country level.

2.3. Lack of initiatives and the exercised pricing policy of the municipalities

Despite the criticism exercised, concerning the low contribution of the State in the finance of municipalities, the State Budget subsidies constitute the main source of finance for the municipalities as it can be seen in **Table 1**.

Table 1: Main sources of finance for the municipalities

Countries	Taxes	Rates	Subsidies	Loans	Others
Austria	16,3	21	43,7	10	9
Belgium	40,75	6	44,26	0	8,99
Finnland	39,5	24	28,4	5,6	2,5
France	42	8	29	9	12
Greece	27	8	63	2	0
Ireland	64,2	18	5,4	4,6	7,8
Italy	31	11	42	7	9
Luxemburg	33	25	34	8	0
Netherlands	15	2	83	0	0
Portugal	23	10,8	49,3	7,5	9,4
Spain	29,8	18,5	27,1	14,9	9,7
Sweden	56	15	20	0	9
U.K.	25	11	53	8	3

Source: Review of Local Government, July 2002

But the aforementioned figures make the responsibility of municipalities even bigger, concerning their own revenues. So, if the contribution of the

State was even bigger, the participation of the municipalities' own revenues would be even less. We have to note that as it is depicted in the Table, the participation of the Greek municipalities' own revenues, is among the lowest in the European Union. More specifically, in the smaller municipalities the situation is even worse with the ratio:

Own Regular Revenues / Total Regular Revenues

to be for the 12 municipalities 43% on average, whereas for the municipalities of Athens and Thessaloniki is around 70%.

The majority of the staff interviewed (10 out of 12) confirmed the lack of initiatives undertaken by Municipality's authorities (lack of initiatives that could change radically the financial image of the municipalities). They stressed the neglecting observed for the incorporation of new technologies, the more efficient organization and the submission of proposals for taking advantage of the 3rd Community Support Framework. Seven out of the twelve interviewed members of staff, believe that their authorities simply manage the municipality's resources, with their reelection being their main objective. Public choice theorists seem to be confirmed in many aspects of the functioning of Local Government in Greece (Buchanan).

Special emphasis was attributed by the interviewed staff on the exercised pricing policy and the lack of a reliable claims collection mechanism. It is characteristic that in the case of the real estate rate, where according to the Law 2130/93, the Local Council can determine the rates between 0,025 % and 0,035 %, none of the municipalities of our sample set rates higher than 0,030 %. On the contrary, the respective rates in the municipality of Thessaloniki were set at the highest limit of 0,035 %.

Cleaning and lighting rates of the municipalities of our sample were set at very low levels compared with the bigger municipalities. On average, they were 0,63 euros / m^2 compared with 1,56 euros / m^2 in the municipality of Thessaloniki. As real estate rates and especially cleaning and lighting rates constitute an important source of finance (at least among the municipalities' own revenues), any increase of the respective rates would result in definitely higher revenues for the municipalities, due to their collection together with the electricity bills.

But, concerning other rates, the lack of a reliable claims collection mechanism is evident. The lack of such a mechanism and the lack of pressure on

the citizens, were attributed by the interviewed staff (10 out of 12) to the close interpersonal relationships observed in the small local communities. The cases of water supply rates and the rates imposed on the turnover of restaurants, hotels, rented rooms etc. are characteristic examples.

More specifically in the case of water supply rates of the 12 municipalities, the debts of the citizens that have been in arrears for more than one year, amount up to 30% (average) of the total claims. This percentage is extremely high, compared with the respective 7 % in the Water Supply and Sewerage Company of Thessaloniki, which covers the bigger municipalities of the Thessaloniki prefecture. As the water supply rates have to be paid by the users of the respective services, the gap between the expenses and revenues should be covered by a respective rise of revenues. For example, if the revenues are 20 % less than the expenses, an increase of the respective rates by 25 % should be inevitable. As it is quite common that the local authorities in order to avoid the political cost, don't take such measures, it is observed that the problem is sorted out either through the reduction of expenses (resulting in undergrading the quality of water or reducing the quantity supplied) or through the transfer of budget resources that might have covered other vital needs of the municipality. In some cases we may see in the municipality's budget, inflated and fictitious figures of revenues and expenses. In any case, the price paid by the consistent citizens is extremely high.

3. The role of Central Government

The institutional framework enacted by the Central Government includes many elements obstructing the efficient function of Local Government. In the next sections we will refer in some elements, which in our opinion cause significant problems in the fulfillment of the role of municipalities.

3.1. Lack of prerequisites for adequate finance

It is widely known that the revenues of Local Government expressed as percentage of the revenues of the Central Government, are among the lowest of the countries of European Union, with long distance from the respective average. It has partly to do with the limited financing from the Central Government but mainly with the relatively low rates enacted by the

Central Government, the temporary and often diminishing character of some revenues and the connection of some rates with the big magnitude of underground economy. For example, the real estate rates with upper and lower limits 0,035 % and 0,025 % respectively, could have been set at higher levels, simultaneously with a transfer of extra responsibilities to Local Government and a reduction of national taxes. Besides, the revenues from the Special Program of Local Government will expire by the end of 2004, and the revenues coming form the bank deposit interests were to be reduced with the expected fall in the rates of interests. Another problem has to do with the connection of some rates with the companies' turnover, which in combination with the big magnitude of underground economy creates the conditions for considerable loss of revenues.

The abovementioned acts or omissions of the Central Government, show that they either don't trust enough the Local Government (because of the previously mentioned weaknesses) or they don't wish to share with them the political benefits of their success. We believe that it is rather a matter of mistrust, but on the other hand the Central Government's share of responsibility has never been negligible. Besides the officially confirmed delay in the payment of enacted resources (due to the confusion concerning their calculation), constitutes evidence that the Central Government does not always have a clear view about the role of Local Government.

3.2. The connection of the local authorities' payroll with the regular revenues of municipalities

The payroll for the Mayor, Vice-Mayor and Chairman of the Local Council in every municipality is determined every year by the Ministry for the Interior, in accordance with the regular revenues of the municipalities (Table 2)[2].

Table 2:

Municipalities' annual regular revenues in euros		Mayors' annual salaries
From	To	Euros
0	44.021	14.500
44.022	58.694	15.900
58.695	73.368	16.400
73.369	88.041	16.800
88.042	102.715	17.300
102.716	117.388	17.700
117.389	132.062	18.200
132.063	146.735	19.600
146.736	176.082	20.300
176.083	205.429	21.000
205.430	234.776	21.800
234.777	264.123	22.300
264.124	293.470	22.800
293.471	352.164	24.200
352.165	410.858	24.700
410.859	469.552	25.300
469.553	528.247	25.800
528.248	586.941	26.300
586.942	733.676	27.000
733.677	880.411	27.500
880.412	1.027.146	28.100
1.027.147	1.173.881	28.800
1.173.882	1.320.616	29.600
1.320.617	1.467.351	30.600
1.467.352	2.054.292	31.900
2.054.293	2.934.703	34.600
2.934.704	5.869.406	37.400
5.869.407	29.347.029	39.300
29.347.030	and above	51.100

To some extent we can talk about similarities with Baumol's sales maximization model, although municipalities are not profit seeking organizations and they don't operate under conditions of oligopoly. It would be an ideal situation if the local authorities were seeking to secure first a minimum level of satisfactory function (instead of Baumol's minimum acceptable level of profits) and then try to maximize the municipality's regular revenues and through them their personal income. But our survey didn't confirm such practices in most of the municipalities (10 out of 12), with the wish for reelection to be the first priority of the local authorities.

Indeed, by analyzing the figures of the table, we observe that the payroll of local authorities, despite its connection with the municipality's regular revenues, does not change significantly from one to the next scale. Besides, in municipalities with regular revenues greater than 1.467.351 euros, the range of every scale is very big and therefore changes in the payroll of local authorities are not easy at all.

Not attributing the right importance in receiving the regular revenues, takes considerable dimensions in the smaller municipalities, mainly due to the close interpersonal relations existing in these cases.

An additional problem created from the connection of payroll with the magnitude of regular revenues, is the insistence of certain Mayors to continue providing services that could be provided by other organizations. For example, water supply revenues constitute an important part of the total regular revenues. Therefore, they can increase considerably the local authorities' payroll, or alternatively they can give them the chance to appear as very generous to the citizens (we have already stressed the high percentage of unpaid water supply bills).

3.3. The lack of prerequisites for a substantial control

The overall framework of control in the municipalities is very loose, and this was confirmed by our survey (all the interviewed staff characterized the possibilities of substantial control as very limited). Indeed, the control exercised by the authorities of every Region on the submitted municipality's budget is only formal. What is controlled, is whether the mandatory expenditures have been recorded and if the revenues are enough to cover them. If something goes wrong, they simply ask the municipality to reform its budget. The yearly reports of every municipality are submitted to the Court of Auditors and must be re-

tained for at least six years, for the possibility of an audit on a sampling basis.

The incentives given (extra subsidy) to the municipalities for the preparation of balance sheets, are inadequate, because despite the contribution of private firms, it is estimated that up to now (April 2003), less than 70 (out of 900) municipalities have prepared balance sheets.

In municipalities with a population of less than 10.000 inhabitants the minority is not represented in the Mayoral Committee. This fact in combination with the delay of the application of the double-entry system, leads to situations of favoritism and possibly corruption in some cases.

4. Conclusions - Suggestions

The Local Government in Greece is a field full of challenges for creative and constructive work. There is plenty of room for improvement of the weaknesses already mentioned, but the improvement will rely on considerable changes in the mentality of the people of Central and Local Government. So far, one side blames the other and the citizens evaluate the overall image of Local Government as rather negative. There have been positive steps forward from both sides, but the pace of implementation is very slow. Anyway, what is needed is a new balance between the roles of Local and Central Government.

Our survey in the 12 municipalities showed that the Local Government can play an increasingly positive role, provided that there exist the following conditions:

• Speeding up the changes in the composition of staff, with priority in hiring graduates of tertiary education, promotion according to qualifications and the substantial training of the existing staff.

• Avoiding as much as possible the direct assignments of works (Law 3074/2002 recently enacted was a decisive step forward).

• Participation of the minority even in the Mayoral Committees of municipalities with a population of less than 10.000 inhabitants.

• Awarding substantial incentives for proceeding to inter-municipality cooperation in order to take advantage of economies of scale.

• Speeding up the adoption of the double-entry system by all the munici-

palities and award of extra incentives for the preparation of at least the first balance sheet.

- Establishing of pre-audit in all the municipalities as it happens in the biggest municipalities of the country.

- Restricting the possibilities of local authorities maximizing their personal utility function (this will result from the implementation of the aforementioned conditions).

- Undertaking initiatives by the municipalities within the existing institutional framework, aiming at speeding up the adoption of new technologies, submitting proposals for taking advantage of the 3rd Community Support Framework, exercising a more efficient pricing policy and adopting a reliable claims collection mechanism.

- Establishing specific and stable ways of subsidizing the Local Government, which are not subject to disputes concerning the calculation of resources and result in delays.

- Avoiding the problems arising from the connection of the local authorities' payroll with the regular revenues of the municipality.

- Reinforcing the Local Government's own revenues and award of extra authorities to the municipalities, so that they can evaluate themselves what is declared by their citizens and impose sanctions if necessary (for example, in cases where the declared turnover is lower than the realized one).

The implementation of the aforementioned conditions will change radically the function of Local Government to the benefit of the citizens. So the Local Government will no more feel as the poor cousin of the Central Government. The latter has to establish an improved institutional framework making the roles of both sides very clear. Both sides have to be committed concerning their shares of resources and responsibilities after a two-way communication process. Since then any resistance from the local authorities to the positive changes must be handled with persuasion and if necessary by publicizing the reasons of the resistance, so that the local authorities realize that their mission is the better serving of the citizens' interests with the lowest reasonable economic and social cost. Any efforts or even thoughts for maximizing personal utility and reducing the political cost should be avoided from both sides, the Central Government and the municipalities.

NOTES

1. N. Lambrakakis , Managing Director of the Greek Company of Local Government and Development (EETAA) in Demotikos – Koinotikos – Nomarchiakos Typos , 25 -1-2003, p. 12

2. The Vice-Mayor and the Chairman of the Local Council receive 50% of the Mayor's salary. In municipalities with more than 10.000 inhabitants, only Mayors receive an extra 20%.

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ΔΙΟΙΚΗΣΗ ΠΟΙΟΤΗΤΑΣ ΣΤΙΣ ΞΕΝΟΔΟΧΕΙΑΚΕΣ ΕΠΙΧΕΙΡΗΣΕΙΣ

ΣΤΕΛΙΟΣ ΒΑΡΒΑΡΕΣΟΣ   **ΜΑΡΙΟΣ ΣΩΤΗΡΙΑΔΗΣ**

Τ.Ε.Ι. Λαμίας   Τ.Ε.Ι. Κρήτης

Abstract

Stelios Varvaressos - Marios Sotiriadis: *Total quality management in hotel operations.*

During the 90's and even more in the current decade, the issue of quality has been highlighted as the most crucial in achieving competitive advantage and profitability. This article is aiming at, on the one hand, analyze the quality management in hotel operations as being a strategic issue, which concerns the entire business management, and on the other, present the Total Quality Management philosophy.

Firstly, are presented the quality's definition and prerequisites for achieving the services quality, through a global vision. This is consisting of the approach that quality constitutes a strategic issue traversing the entire business operation. An analysis of the Total Quality Management's philosophy is then carried out, by presenting its components and methods, and the implications of the commitment for continuous improvement in order to provide hotel services of high quality and excellence.

JEL: M00, M12, M54

Keywords: Total quality philosophy, management, continuous improvant, hotel operation.

1. Εισαγωγή

Η ποιότητα αποτελεί ένα από τα πιο κρίσιμα ζητήματα στο επιχειρηματικό γίγνεσθαι και ένα από τα πιο επίκαιρα θέματα της τρέχουσας δεκαετίας. Πρόκειται για ένα θέμα που δεν απασχολεί μόνο την ακαδημαϊκή κοινότητα, έχει πλέον εισέλθει στην επιχειρηματική

πρακτική και αντιπροσωπεύει την «έννοια-κλειδί» σε όρους στρατηγικού σχεδιασμού και οργάνωσης των ξενοδοχειακών επιχειρήσεων. Η κεντρική ιδέα και ο βασικός κατευθυντήριος άξονας του σχεδιασμού και της οργάνωσης - διοίκησης των ξενοδοχειακών επιχειρήσεων είναι η παροχή μίας ποιοτικής εξυπηρέτησης, ενός συνολικού προϊόντος ποιότητας που να υπερβαίνει τις προσδοκίες του πελάτη.

Η ποιότητα εξυπηρέτησης και το ανθρώπινο δυναμικό συνθέτουν τη βάση επίτευξης των επιχειρηματικών στόχων στις ξενοδοχειακές επιχειρήσεις, ιδιαίτερα σε συνθήκες υπερπροσφοράς, έντονου ανταγωνισμού και ύφεσης.

Στην παρούσα δημοσίευση αναλύεται συνοπτικά η έννοια και φιλοσοφία της ποιότητας και οι απαραίτητες προϋποθέσεις επίτευξής της. Στην πρώτη ενότητα εξετάζονται τα ζητήματα που σχετίζονται με τη στρατηγική ποιότητας. Αφού αναλυθεί ο όρος ποιότητα, στη συνέχεια παρουσιάζονται οι διάφορες στρατηγικές επίτευξης της ποιότητας, με το αντίστοιχο λογικό υπόβαθρό τους. Στη δεύτερη ενότητα εξετάζονται οι παράμετροι και τα συστατικά στοιχεία της Διοίκησης Ολικής Ποιότητας.

2. Ορισμός της ποιότητας και στρατηγικές εξασφάλισης ποιότητας

2.1. Η έννοια «ποιότητα»

Υφίστανται αρκετοί ορισμοί της ποιότητας. Το *British Standards Institution* ορίζει την ποιότητα ως «το σύνολο των ιδιοτήτων και χαρακτηριστικών ενός προϊόντος ή μίας υπηρεσίας, οι οποίες βασίζονται στη δυνατότητά της να ικανοποιήσει συγκεκριμένες εκφρασμένες ή λανθάνουσες ανάγκες» (BSI, 1983). Ωστόσο, οι εν λόγω ανάγκες χρήζουν επακριβή ορισμού από την κάθε επιχείρηση, ανάγκες που εξαρτώνται άμεσα από τους στόχους που θέτει (Juran, 1984 και Garvin, 1990). Ο Garvin συμπεραίνει ότι «ποιότητα σημαίνει να ικανοποιούμε τους πελάτες, και όχι απλά να τους προστατεύουμε από δυσφορίες ή δυσάρεστες καταστάσεις» (Garvin, ο.π.). Συνεπώς, οποιοδήποτε είδος επιχείρησης μπορεί να χαρακτηριστεί ως υψηλής ή χαμηλής ποιότητας και αυτό εξαρτάται από το κατά πόσον εξυπηρετεί σωστά την πελατεία της.

Ένας πιο αναλυτικός ορισμός αναφέρει: «η ποιότητα συμπεριλαμβάνει το βαθμό στον οποίο οι ιδιότητες της εξυπηρέτησης

που επιθυμούν να έχουν οι πελάτες αναγνωρίστηκαν και ενσωματώθηκαν στην παροχή υπηρεσίας και το βαθμό επίτευξης των επιθυμητών επιπέδων αυτών των ιδιοτήτων που γίνονται αντιληπτά από τους πελάτες» (Murdick et al., 1990). Συνεπώς, η ποιότητα δεν μπορεί να αποτιμηθεί σε απόλυτους όρους, αλλά πρέπει να ανταποκρίνεται / αντιστοιχεί στις προσδοκίες της πελατείας.

Η έννοια της ποιότητας εξελίχθηκε από μία απλή προσέγγιση ελέγχου, με άμεση αναφορά στο προϊόν και στις υπηρεσίες, σε μία έννοια πολύ ευρύτερη που ξεκινά από την ποιότητα του σχεδιασμού και του μηχανισμού παραγωγής των προϊόντων και της παροχής υπηρεσιών για να καταλήξει στην αξιολόγηση των ίδιων των επιχειρήσεων καλύπτοντας όλο το φάσμα των επιχειρηματικών λειτουργιών. Η ποιότητα αποτελεί σήμερα μία νέα φιλοσοφία μάνατζμεντ που εμπεριέχει τη συνεχή αναζήτηση και προσπάθεια για βελτίωση όλων των τμημάτων της παραγωγής μέχρι και το τελικό προϊόν ή υπηρεσία (Tenner and De Toro, 1992 και Gilbert and Joshi, 1995).

Είναι πλέον αποδεκτό ότι η επένδυση στην ποιότητα αποτελεί την πιο αποδοτική επένδυση της ξενοδοχειακής επιχείρησης, με θεαματικά αποτελέσματα στα πεδία της αύξησης της παραγωγικότητας και της βελτίωσης της ανταγωνιστικότητας (HCIMA, 1994).

2.2. Η ποιότητα ως στρατηγικό ζήτημα

2.2.1. Η βελτίωση συνεπάγεται πάντα καλύτερη ποιότητα

Οι Jones & Lockwood υποστηρίζουν ότι η ποιότητα θα πρέπει να αντιμετωπίζεται ως ένα βασικό πεδίο αποτελεσμάτων των ξενοδοχειακών λειτουργιών και όχι ως ένα συνακόλουθο / συνεπαγόμενο αποτέλεσμα διαφόρων άλλων διαδικασιών. Ουσιαστικά, συνιστούν την υιοθέτηση μίας προ-ενεργητικής προσέγγισης για την ποιότητα και αυτό θεωρείται ως ένα είδος ακρογωνιαίου λίθου που υποστηρίζει τα άλλα συστατικά στοιχεία του συστήματος παραγωγής και εξυπηρέτησης (Jones and Lockwood, 1989: 149-168).

Οι ίδιοι συγγραφείς υιοθετούν τον ορισμό της ποιότητας του *British Standards Institution (BSI)*, σύμφωνα με τον οποίο, η ποιότητα ορίζεται ως «το σύνολο των ιδιοτήτων και χαρακτηριστικών ενός προϊόντος ή μίας υπηρεσίας που υποστηρίζουν την ικανότητα της να ικανοποιήσει μία δεδομένη ανάγκη» (BSI, ό.π.). Αυτός ο ορισμός αναδεικνύει το πρόβλημα.

Φαίνεται να είναι πλήρης, πλην όμως στην πραγματικότητα είναι ασαφής. Η ποιότητα μίας υπηρεσίας ή ενός προϊόντος καθορίζεται εν πολλοίς από το βαθμό στον οποίο οι ανάγκες της πελατείας έχουν εντοπιστεί και ενσωματωθεί στην υπηρεσία και από την έκταση στην οποία οι πελάτες αντιλαμβάνονται ότι οι ανάγκες αυτές έχουν ικανοποιηθεί (Murdick et al., 1990). Οι ίδιοι οι πελάτες αποτελούν μέρος της εμπειρίας εξυπηρέτησης και μεταφέρουν στο προϊόν ένα σύνολο προσδοκιών και αντιλήψεων οι οποίες δεν είναι ελεγχόμενες από την επιχείρηση (Baker and Crompton, 2000). Εντούτοις, αυτές οι προσδοκίες θα πρέπει να εντοπιστούν. Ένας πιο χρήσιμος ορισμός της ποιότητας δίνεται από τον Wyckoff: «Ποιότητα είναι ο βαθμός υπεροχής / εξαιρετικής επίδοσης που επιδιώκεται και ο έλεγχος της μεταβλητότητας στην επίτευξη αυτής της υπεροχής στην ικανοποίηση των απαιτήσεων της πελατείας» (Wyckoff, 1984). Ο ορισμός του Wyckoff προσδίδει μία πιο θετική διάσταση και είναι χρήσιμος διότι εμπεριέχει δύο σημαντικές ιδέες:

■ Η πρώτη ιδέα αναφέρεται στην έννοια του σχεδιασμού της ποιότητας στα προϊόντα. Ο σχεδιασμός ποιότητας αναφέρεται στο πρότυπο με βάση το οποίο το μάνατζμεντ ενισχύει και παρακολουθεί ένα προϊόν. Πρόκειται πιθανότατα για το πιο κρίσιμο στοιχείο σε μία στρατηγική ποιότητας (Randall and Senior, 1992). Ως εκ τούτου, ο σχεδιασμός ποιότητας είναι το σημείο αφετηρίας για το κατάλληλο μάνατζμεντ ποιότητας.

■ Η δεύτερη ιδέα αναφέρεται στην καταλληλότητα / ικανότητα ή την έκταση στην οποία το προϊόν ικανοποιεί τις συνολικές ανάγκες του πελάτη. Στις ξενοδοχειακές υπηρεσίες, η αυθύπαρκτη / πραγματική ανάγκη για ανάπαυση, διαμονή ή εστίαση είναι συχνά δευτερεύουσα προς τις περιφερειακές ανάγκες, οι οποίες αποτελούν κατά κανόνα τη βάση της ικανοποίησης του πελάτη (Haywood, 1983). Πιθανότατα οι τουρίστες να έχουν ορισμένες βασικές προσδοκίες σχετικά με τα πρότυπα άνεσης και καθαριότητας σε ένα ξενοδοχείο. Δεν εκπλήσσονται ούτε ικανοποιούνται ιδιαίτερα όταν διαπιστώνουν την εκπλήρωση αυτών των προσδοκιών. Απλά δεν μένουν δυσαρεστημένοι. Για να δημιουργηθεί ουσιαστική ικανοποίηση, η εξυπηρέτηση θα πρέπει να επεκταθεί στην ικανοποίηση των κοινωνικών και ψυχολογικών αναγκών. Αυτό συνεπάγεται ότι το προϊόν θα πρέπει να συγκλίνει προς την έννοια της ολικής ποιότητας (Teare, 1996).

2.2.2. Στρατηγικές επιπτώσεις της ποιότητας εξυπηρέτησης

Αποδεχόμενοι το συλλογισμό ότι η ποιότητα είναι ένα στρατηγικό ζήτημα - ήτοι αποφέρει φήμη υπεροχής και μακροχρόνια οικονομικά αποτελέσματα – μπορούμε να αποποιηθούμε την αντίληψη ότι η ποιότητα είναι περισσότερο ένα συστατικό στοιχείο της συνολικής θεώρησης και επιχειρηματικού πνεύματος. Για την επίτευξη αυτής της θεώρησης, όπως αναφέρουν οι Berry et al., «απαιτούνται ηγέτες και όχι απλά μάνατζερ, και οι πραγματικοί ηγέτες:

• έχουν ένα όραμα για την επιχείρηση,

• μεταφέρουν το όραμά τους στην επιχείρηση / καθοδηγούν δίνοντας το παράδειγμα,

• έχουν επιχειρηματικό πνεύμα,

• έχουν μία έμμονη ιδέα για εξαιρετική ποιότητα» (Berry et al., 1989).

Η επίπτωση αυτής της αντίληψης είναι ότι οποιαδήποτε διαδικασία σχεδιαστεί για τη βελτίωση της ποιότητας ως ξεχωριστή / απομονωμένη προσπάθεια, προφανώς είναι καταδικασμένη στην αποτυχία. Ως εκ τούτου, ενώ η ποιότητα μπορεί να θεωρείται από τις ξενοδοχειακές επιχειρήσεις ως ένα στρατηγικό ζήτημα, η ποιότητα δεν θα επιτευχθεί χωρίς την ανάλογη εταιρική κουλτούρα. Με την παραδοχή ότι η ποιότητα είναι ένα σημαντικό ζήτημα για τις ξενοδοχειακές επιχειρήσεις, ένας ζωτικός παράγοντας που θα επηρεάσει την ικανότητα των επιχειρήσεων να προσαρμοστούν και να πετύχουν είναι, με βάση το σκεπτικό του Peters, το «πάθος» (Peters, 1987). Αυτός υποστηρίζει ότι «τα περισσότερα συστήματα ποιότητας αποτυγχάνουν για ένα ή δύο λόγους: έχουν ένα σύστημα χωρίς πάθος ή πάθος χωρίς σύστημα».

Η ποιότητα ως ένα στρατηγικό ζήτημα δεν αναφέρεται απλά στην ανάπτυξη προγραμμάτων ασφάλειας ποιότητας ή στην εφαρμογή τεχνικών ελέγχου ποιότητας. Πρόκειται για την ανάπτυξη και επικοινωνία ενός οράματος για ολική ποιότητα της εξυπηρέτησης και της αναγνώρισης ότι η επίτευξη της κατάλληλης ποιότητας αποτελεί ευθύνη όλων.

Συμπερασματικά, οφείλουμε να υπογραμμίσουμε ότι οι απαραίτητες προϋποθέσεις επίτευξης εξαιρετικής ποιότητας εξυπηρέτησης στις ξενοδοχειακές επιχειρήσεις είναι:

• η ύπαρξη κατάλληλης εταιρικής κουλτούρας και επιχειρηματικού πνεύματος,

• το κατάλληλο είδος μάνατζμεντ (συμμετοχικό και επίπεδο),

• η δέσμευση και το πάθος για υπεροχή στην εξυπηρέτηση (Simmons and Teare, 1993),

• η ενεργός εμπλοκή του ανθρώπινου δυναμικού με εξουσιοδότηση για άμεση και επιτόπια αντιμετώπιση των προβλημάτων ποιότητας,

• η υποστήριξη της οργανωτικής δομής με τους απαραίτητους πόρους και κίνητρα,

• η χρήση σύγχρονων εργαλείων και τεχνικών μάνατζμεντ.

2.2.3. Προβλήματα ελέγχου ποιότητας – Θεωρία ελλείμματος

Τα χάσματα ανάμεσα στο προφανές και το υφιστάμενο σύστημα εξυπηρέτησης είναι στο επίκεντρο ενδιαφέροντος των τεχνικών ελέγχου ποιότητας. Τα τελευταία χρόνια οι θεωρητικοί του μάρκετινγκ ανέπτυξαν ορισμένα μοντέλα για να περιγράψουν την ποιότητα της εξυπηρέτησης. Αυτά μπορούν να συνοψιστούν σε ένα απλό μοντέλο που καθορίζει τα πέντε βασικά πεδία, στα οποία μπορούν να προκύψουν προβλήματα ποιότητας, όπως παρουσιάζονται στον επόμενο πίνακα.

Πίνακας 1: Το «Μοντέλο των Πέντε Ελλειμμάτων» Παροχής Εξυπηρέτησης

Έλλειμμα	Ονομασία	Περιεχόμενο
1ο	Τοποθέτησης	Αντιλήψεις της διοίκησης για τις προσδοκίες της πελατείας και οι ίδιες οι προσδοκίες των πελατών.
2ο	Εξειδίκευσης	Αντιλήψεις της διοίκησης για τις προσδοκίες της πελατείας και η πραγματική εξειδίκευση εξυπηρέτησης
3ο	Παροχής εξυπηρέτησης	Εξειδίκευση της προτεινόμενης εξυπηρέτησης και η πραγματικά παρεχόμενη.
4ο	Επικοινωνίας (προβολής)	Πραγματικά παρεχόμενη εξυπηρέτηση και μεταδιδόμενη εξωτερικά προς τους πελάτες (μέσω της προβολής και διαφήμισης)
5ο	Αντίληψης	Αντιλαμβανόμενη ποιότητα παρεχόμενης και προσδοκώμενη από τον πελάτη εξυπηρέτηση.

(**Πηγή:** προσαρμοσμένο από Brogowicz, A. A., Delene, L. M. and Lyth, D.M. (1990) «A Synthesized Service Quality Model with Managerial Implications», International Journal of Service Industries Management, Vol. 1 (1), σσ.27-45.)

Σύμφωνα με τον παραπάνω πίνακα, έχουν εντοπιστεί πέντε πεδία-κλειδιά, στα οποία θα πρέπει να επικεντρώνεται το μάνατζμεντ της ποιότητας εξυπηρέτησης (Parasuraman et al., 1985: 44-46):

• Τοποθέτηση (Προσδοκίες πελατείας - Αντιλήψεις μάνατζμεντ): η φύση της υπηρεσίας την οποία προσδοκά ο πελάτης μπορεί να μην είναι απόλυτα κατανοητή από το μάνατζμεντ.

• Εξειδίκευση (Αντιλήψεις μάνατζμεντ - Προδιαγραφές ποιότητας εξυπηρέτησης): σε μερικές περιπτώσεις το επίπεδο εξυπηρέτησης που καθορίζεται από το μάνατζμεντ είναι πολύ χαμηλό σε σχέση με τις ανάγκες της πελατείας. Έτσι, για παράδειγμα, το μάνατζμεντ μπορεί να αποφασίσει ότι μία καθυστέρηση πέντε λεπτών στην υποδοχή για τη διαδικασία καταγραφής στην άφιξη είναι λογική. Στην πράξη, οι κουρασμένοι από μία καθυστερημένη πτήση πελάτες θα την θεωρήσουν υπερβολική.

• Παροχής εξυπηρέτησης (Προδιαγραφές ποιότητας εξυπηρέτησης - Παροχή εξυπηρέτησης): το μάνατζμεντ μπορεί να έχει κατανοήσει πλήρως τις ανάγκες της πελατείας, πλην όμως έχει αποτύχει στο σχεδιασμό και στην υποστήριξη της οργανωτικής δομής για την καταλληλότερη ανταπόκριση.

• Επικοινωνίας (Παροχή εξυπηρέτησης - Εξωτερική επικοινωνία): τα διαφημιστικά μηνύματα μπορούν μερικές φορές να επηρεάσουν τις προσδοκίες της πελατείας. Συνεπώς, πρέπει να αποφεύγεται η χρήση διαφημιστικών σλόγκαν και μηνυμάτων επικοινωνίας – αφού πρόκειται για μία δέσμευση ή υπόσχεση - στα οποία η επιχείρηση δεν μπορεί να ανταποκριθεί σε όρους επιπέδου εξυπηρέτησης.

• Αντίληψης (Προσδοκώμενη εξυπηρέτηση - Παρασχεθείσα εξυπηρέτηση): εάν οι προσδοκίες της πελατείας συνάδουν με την εμπειρία εξυπηρέτησης, προφανώς το επίπεδο εξυπηρέτησης θα γίνει ευνοϊκά αντιληπτό. Αυτός είναι ένας από τους λόγους για τους οποίους τα ξενοδοχεία διατηρούν συστήματα αρχείων για τους πελάτες. Ένας πελάτης επιστρέφοντας σε ένα ξενοδοχείο μετά από κάποιο χρονικό διάστημα, θα μείνει ευχάριστα έκπληκτος εάν διαπιστώσει ότι θυμούνται τις προτιμήσεις του. Αυτό στην πράξη σημαίνει ότι η εξυπηρέτηση ξεπερνά τις προσδοκίες του.

Τα συστήματα ελέγχου ποιότητας κανονικά σχεδιάζονται με επίκεντρο ενδιαφέροντος τα δυνητικά ελλείμματα μεταξύ σχεδιασμένης και

πραγματικής εξυπηρέτησης. Ένα πραγματικό πνεύμα εξυπηρέτησης εξαρτάται από την κατάλληλη κατάρτιση του συνόλου του προσωπικού για την πλήρη κατανόηση του επιπέδου εξυπηρέτησης που θα πρέπει να υποστηρίξουν (Thomas, 1992). Επιπρόσθετα, η μέτρηση του ελέγχου ποιότητας συνεπάγεται μία συστηματική συλλογή αξιόπιστων στοιχείων και την εφαρμογή της κατάλληλης τεχνικής, έτσι ώστε τα όποια συμπεράσματα προκύψουν να είναι τεκμηριωμένα. Οι ξενοδοχειακές μονάδες έχουν την τάση να συγκεντρώνουν στοιχεία με μεθόδους οι οποίες είναι αναξιόπιστες στατιστικά και γενικά ατεκμηρίωτες. Ένα παράδειγμα κακής πρακτικής είναι η πανταχού παρούσα κάρτα σχολίων για τον πελάτη που τοποθετείται στα υπνοδωμάτια (Barsky, 1992 και Σωτηριάδης, 2000).

Τα πέντε ελλείμματα / χάσματα υποδεικνύουν σε ποια πεδία θα πρέπει να κατευθυνθεί η προσπάθεια της διοίκησης για την εξασφάλιση ποιότητας εξυπηρέτησης (Parasuraman et al., 1994). Κατά κανόνα, δίνεται έμφαση στην εξασφάλιση μίας αντιστοιχίας ανάμεσα στις ανάγκες των πελατών και στα συστήματα παροχής υπηρεσίας που αναπτύσσονται για την ικανοποίηση αυτών των αναγκών. Το τελευταίο έλλειμμα είναι το μόνο από τα πέντε στο οποίο η ξενοδοχειακή επιχείρηση έχει περιορισμένο ή ελάχιστο άμεσο έλεγχο. Μπορεί να γίνει αντικείμενο παρακολούθησης με ερωτηματολόγια ικανοποίησης πελατών ή με έρευνες αγοράς (Σωτηριάδης, ό.π.).

Λογική συνέχεια των παραπάνω αποτελεί η εξέταση του τρόπου με τον οποίο η ποιότητα μπορεί να σχεδιαστεί μέσα σε μία ξενοδοχειακή μονάδα.

2.3. Σχεδιασμός στρατηγικής ποιότητας

Το κρίσιμο ζήτημα στο σχεδιασμό και στην οργάνωση-διοίκηση ποιότητας στις ξενοδοχειακές επιχειρήσεις είναι η επιλογή της κατάλληλης στρατηγικής, η οποία μπορεί να παρουσιαστεί συνοπτικά ως ακολούθως:

Βασική απόφαση	Εναλλακτικές στρατηγικές
Εξασφάλιση / Επίτευξη ποιότητας	• Επιθεώρηση Ποιότητας
	• Έλεγχος Ποιότητας
	• Ασφάλεια Ποιότητας
	• Διοίκηση Ολικής Ποιότητας

Στην παρούσα υποενότητα παρουσιάζονται συνοπτικά οι τρεις πρώτες στρατηγικές:
• Επιθεώρηση ποιότητας (*Quality Inspection*),
• Έλεγχος ποιότητας (*Quality Control*),
• Ασφάλεια ποιότητας (*Quality Assurance*).

Αυτή ήταν και η ιστορική εξέλιξη της προσέγγισης του ζητήματος ποιότητας. Κατά τη διάρκεια των δεκαετιών του '80 και '90 αναπτύχθηκε η φιλοσοφία της Διοίκησης Ολικής Ποιότητας (Βελισσαρίου, 2000 και Δερβιτσιώτης, 2002), η οποία εξετάζεται στην επόμενη ενότητα.

2.3.1. Επιθεώρηση Ποιότητας: Ο πιο απλός τρόπος διοίκησης της ποιότητας είναι η επιθεώρηση του προϊόντος προτού πωληθεί στον πελάτη. Συνεπώς είναι απαραίτητες οι προδιαγραφές προϊόντος. Το μειονέκτημα αυτής της στρατηγικής είναι ότι πραγματοποιείται μετά την παραγωγή του προϊόντος, για παράδειγμα μετά την παρασκευή του τελικού πιάτου προς σερβίρισμα. Ως εκ τούτου, δεν είναι ενδεδειγμένη προς εφαρμογή στις σύγχρονες επιχειρήσεις διότι συνεπάγεται υπερβολικά έξοδα αντικατάστασης του μη σωστά παρασκευασμένου πιάτου. Είναι ένα απλό σύστημα που εφαρμόζεται στις μικρές επιχειρήσεις, αλλά δεν μας επιτρέπει να εξασφαλίσουμε υψηλή ποιότητα. Επιπλέον, η εν λόγω στρατηγική δεν είναι συμβατή με τις μη απτές πτυχές του συνολικού πακέτου εξυπηρέτησης.

2.3.2. Έλεγχος Ποιότητας: Ο έλεγχος ποιότητας, ως στρατηγική, είναι πιο προχωρημένη από την επιθεώρηση ποιότητας, διότι η ποιότητα σχεδιάζεται μέσα σε προδιαγραφές προϊόντος και ελέγχεται στο εσωτερικό του συστήματος παραγωγής. Άρα στοχεύει στον εντοπισμό των ατελειών και στον περιορισμό του κόστους προϊόντος. Πλην όμως, το ενδιαφέρον της στρατηγικής εστιάζεται περισσότερο στο προϊόν παρά στη συνολική «εμπειρία διαμονής και εστίασης». Στα πλαίσια αυτής της στρατηγικής, δίνεται περισσότερη έμφαση στην ποιότητα προμηθειών, στις σχέσεις με τον προμηθευτή και στον έλεγχο των αγορών, στο σχεδιασμό και τη λειτουργία της διαδικασίας παραγωγής και, τέλος, στα σαφώς καθορισμένα στάδια και στις χρονικές στιγμές πραγματοποίησης του ελέγχου της ποιότητας (Juran, 1984).
Το πλεονέκτημα είναι ότι η ποιότητα του τελικού προϊόντος βελτιώνεται και τα λάθη στη διαδικασία παραγωγής εντοπίζονται και

διορθώνονται πριν την εξυπηρέτηση του πελάτη. Με τη βοήθεια των εγχειριδίων προδιαγραφών μπορούμε να πετύχουμε πιο ενεργό εμπλοκή του ανθρώπινου δυναμικού, αλλά ακόμη και σε αυτή την περίπτωση, το στοιχείο του ελέγχου λειτουργεί αρνητικά, δημιουργώντας ένα κλίμα δυσπιστίας. Το όλο σύστημα απαιτεί πολύ χρόνο για να εφαρμοστεί, δεν προσφέρεται για την αντιμετώπιση των άϋλων πτυχών της εξυπηρέτησης του πελάτη. Το τελευταίο στοιχείο είναι και το βασικό μειονέκτημά του. Ο πελάτης γίνεται ακόμη αντιληπτός ως ένα εξωγενές στοιχείο προς την επιχείρηση και όχι ως μία εισροή του συστήματος (Σωτηριάδης, ό.π.). Λογική απόρροια των παραπάνω είναι να δίνεται έμφαση στην αντιμετώπιση των παραπόνων πελατών.

2.3.3. Ασφάλεια Ποιότητας: Η στρατηγική της Ασφάλειας Ποιότητας (Α.Π.) βασίζεται στην προσέγγιση του ελέγχου ποιότητας, πλην όμως εισαγάγει από την πρώτη στιγμή την ιδέα «να ενεργήσουμε με ορθό τρόπο από την πρώτη φορά, ευθύς εξαρχής» (Garvin, ό.π.). Ο στόχος της Α.Π. είναι η οργάνωση στο εσωτερικό της επιχείρησης διαδικασιών που να συνάδουν και να είναι σε απόλυτη αρμονία με τις προδιαγραφές και ταυτόχρονα μία εντατική προσπάθεια για συνεχή βελτίωση. Αυτό μπορεί να πραγματοποιηθεί με το λεπτομερή σχεδιασμό (blueprinting) των επιχειρηματικών λειτουργιών, έχοντας ως στοιχείο-κλειδί την ποιότητα.

Η στρατηγική Α.Π. εστιάζει το ενδιαφέρον στην πελατεία και η ποιότητα είναι πλέον προσανατολισμένη προς την εκροή και όχι στη διαδικασία ή στην εισροή του συστήματος. Η προσέγγιση πλέον της ποιότητας κινείται πέραν των διαστάσεων της ποιότητας του προϊόντος. Η έννοια «να ενεργήσουμε σωστά εξ' αρχής» σημαίνει ουσιαστικά ότι το ανθρώπινο δυναμικό γίνεται πλέον ο ακρογωνιαίος λίθος στην αναζήτηση και επίτευξη της ποιότητας (Johns, 1993). Οι πελάτες και οι προμηθευτές καθίστανται αναπόσπαστο μέρος της αλυσίδας ποιότητας με απώτερη επιδίωξη την καλύτερη κατανόηση και συνεργασία. Το ανθρώπινο δυναμικό καθίσταται πλέον ένα ζωτικό μέρος του συστήματος ποιότητας. Απαιτούμε λοιπόν να έχει την ικανότητα να αντιμετωπίζει τα προβλήματα. Ένα επιπρόσθετο χαρακτηριστικό της Α.Π. είναι η ιδέα της ομαδικής εργασίας στην επίλυση προβλημάτων που εκτελείται από ομάδες προόδου, που είναι γνωστές ως «κύκλοι ποιότητας» (Munro-Faure, 1992 και Δερβιτσιώτης, ό.π.). Πρόκειται για ομάδες που περιλαμβάνουν μικρό αριθμό ατόμων - ο ιδανικός είναι εννέα - μέσα σε ένα τμήμα και οι οποίες εκτελούν παρόμοια εργασία. Η

ομάδα συναντάται σε τακτική βάση - σε ώρα εργασίας - για τον προσδιορισμό, εκτέλεση και παρακολούθηση της προόδου των ενεργειών που ανέλαβαν για την επίλυση των προβλημάτων που παρουσιάστηκαν μέσα στο χώρο εργασίας και στον τομέα ευθύνης τους. Το πιο σημαντικό είναι ότι η ομάδα περιλαμβάνει υπαλλήλους που διαθέτουν συγκεκριμένη τεχνογνωσία - δεξιότητες και δεν έχουν επιλεγεί με κριτήριο την ιεραρχία. Η στρατηγική Α.Π. συναντάται συνήθως σε αλυσίδες εστίασης - όπως τα fast food McDonald's και BurgerKing - λόγω τυποποίησης του προϊόντος και της ικανότητάς τους να αναπτύσσουν ιδιαίτερα λεπτομερείς και τυποποιημένες προδιαγραφές και λειτουργικές διαδικασίες (Jones and Merricks, 1997)

3. Διοίκηση Ολικής Ποιότητας (Total Quality Management)

Οφείλουμε να υπογραμμίσουμε ότι η στρατηγική της Διοίκησης Ολικής Ποιότητας (ΔΟΠ) είναι εξ ολοκλήρου προσανατολισμένη προς τον πελάτη. Σύμφωνα με τον Oakland, η ΔΟΠ ορίζεται ως «ένας τρόπος οργάνωσης και εμπλοκής του συνόλου της επιχείρησης, κάθε τμήμα, κάθε δραστηριότητα ή λειτουργία, κάθε μεμονωμένο άτομο σε κάθε επίπεδο» (Oakland, 1989). Η ΔΟΠ δίνει έμφαση στη συνεχή ανταλλαγή πληροφόρησης σε όλα τα επίπεδα της επιχείρησης και το ανθρώπινο δυναμικό ενθαρρύνεται να εμπλακεί στη διαδικασία παραγωγής του προϊόντος και παροχής υπηρεσίας. Μία πολύ γνωστή πτυχή αυτής της ιδέας είναι οι κύκλοι ποιότητας. Θα πρέπει να προετοιμάζονται για προσαρμογή στην έννοια της εξουσιοδότησης, ομάδες εργασίας που συναντώνται, συζητάνε και επιλύουν ορισμένα προβλήματα παραγωγής ή εξυπηρέτησης. Το κύριο πρόβλημα εφαρμογής του ελέγχου ποιότητας είναι το είδος μάνατζμεντ που επικρατεί στα ξενοδοχεία.

3.1. Γενική θεώρηση

Η νέα προσέγγιση ή φιλοσοφία, αλλά και στρατηγική στο μάνατζμεντ έχει ως επίκεντρο τον πελάτη, που είναι τελικά ο αποφασιστικός παράγοντας για την επιβίωση και κερδοφορία της επιχείρησης (Βελισσαρίου, ό.π.). Ονομάζεται ΔΟΠ και στοχεύει στην πλήρη ικανοποίηση του πελάτη με την ενεργοποίηση όλων των πόρων της

επιχείρησης και κυρίως, του συνόλου του ανθρώπινου δυναμικού (James, 1998 και Δερβιτσιώτης, ό.π.). Η ενσυνείδητη προσπάθεια του προσωπικού για ικανοποίηση της πελατείας, μείωση των παραπόνων και της δυσαρέσκειας, παροχή υπηρεσιών στον πελάτη πάνω από τις προσδοκίες του και εξασφάλιση σημαντικού ανταγωνιστικού πλεονεκτήματος είναι απολύτως απαραίτητα αφού η επιτυχία ακόμα και των καλύτερων συστημάτων εξαρτάται από τον ανθρώπινο παράγοντα (Σπανός, 1998). Ο Jones έχει προτείνει ότι η στρατηγική ΔΟΠ στις ξενοδοχειακές επιχειρήσεις συνεπάγεται ένα αριθμό βημάτων-κλειδιών, όπως παρουσιάζεται στον παρακάτω πίνακα / σχεδιάγραμμα (Jones and Merricks, 1997: 131-133).

Πίνακας 2: Ένα μοντέλο Δ.Ο.Π για τις ξενοδοχειακές επιχειρήσεις
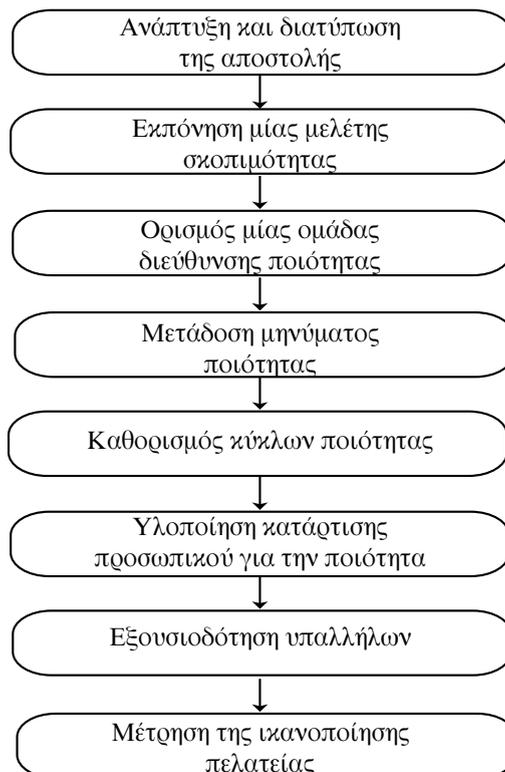
(**Πηγή:** Jones, P. and Merricks, P. (1997), The Management of Foodservice Operations, London: Cassell, p.132)

Με βάση τα παραπάνω, εκτιμούμε ότι τα στοιχεία που διαφοροποιούν τη ΔΟΠ από τις άλλες στρατηγικές ποιότητας είναι:

• η ολιστική προσέγγιση και η εμπλοκή του συνόλου της επιχείρησης,

• τα ανώτατα στελέχη διαδραματίζουν ένα ρόλο-κλειδί στην καθοδήγηση της ποιότητας και στην επικοινωνία του μηνύματος ποιότητας,

• η ποιότητα είναι η ηγεσία επίδοσης στην ικανοποίηση των απαιτήσεων πελατείας,

• η εξουσιοδότηση των υπαλλήλων με ενεργό συμμετοχή στη διαδικασία λήψης αποφάσεων: συμμετοχή στη λήψη και παρακολούθηση εφαρμογής αποφάσεων.

Με σκοπό την επίτευξη εγγυημένης ποιότητας σε ένα επιχειρησιακό περιβάλλον όπου ο καθένας είναι πελάτης, η συνεχής βελτίωση ποιότητας είναι κεντρικό σημείο στην αποτελεσματική ΔΟΠ (Witt and Muhlemann, 1994: 416-424 και Pun, 2002). Άρα, η ΔΟΠ αντιπροσωπεύει το συνεχές, το αέναο. Οι τεχνικές ομάδας εργασίας, όπως οι κύκλοι ποιότητας αποτελούν σημαντικά εργαλεία όταν εφαρμόζεται η ΔΟΠ (Σπανός, ό.π.).

Υπογραμμίζεται ότι η υιοθέτηση του ζητήματος ποιότητας εξυπηρέτησης της πελατείας δεν σχετίζεται ούτε με την κατηγορία της ξενοδοχειακής επιχείρησης ούτε με την εξωτερική πιστοποίηση, όπως για παράδειγμα το πρότυπο ISO (Σωτηριάδης, ό.π.).

3.2 Συστατικά στοιχεία της ΔΟΠ

Παροχή υπηρεσιών στα ξενοδοχεία σημαίνει ότι η έλλειψη χαμόγελου, η έλλειψη διάθεσης εξυπηρέτησης από τον τραπεζοκόμο ή τον υπάλληλο υποδοχής, το μη προσεγμένο φαγητό, η μη αξιόπιστη λειτουργία των κρατήσεων και ο κρύος καφές δεν είναι καταστάσεις που μπορούν εύκολα να αντιμετωπιστούν και ακόμη περισσότερο να ελεγχθούν. Τα ξενοδοχεία δίνουν εξετάσεις κάθε στιγμή, μέσα από αδιάκοπες και πολυποίκιλες αλληλεπιδράσεις του προσωπικού τους με τους πελάτες τους (Teare, 1996). Η καλή εντύπωση εξαρτάται τελικά από τη δέσμευση του ίδιου του ανθρώπινου δυναμικού της επιχείρησης, που αναλαμβάνει πλήρως - μετά από κατάλληλη κατάρτιση σε μεθόδους και τεχνικές - την ικανοποίηση των πελατών. Η «στιγμή της αλήθειας» (moment of truth)

για την επιχείρηση ταυτίζεται με την χρονική στιγμή που ο υπάλληλός της θα βρεθεί αντιμέτωπος με τον πελάτη που παραπονείται για το θόρυβο, τη χαλασμένη κλειδαριά ή το σκληρό κρεβάτι. Ο σωστός χειρισμός του προβλήματος και ακόμα περισσότερο η πρόληψή του, δημιουργούν αρχικά αποδοχή και σε μεταγενέστερο χρόνο, ένα πελάτη ενεργό διαφημιστή του ξενοδοχείου (Σπανός, ό.π.).

Οι λειτουργίες και η οργάνωση της επιχείρησης προσαρμόζονται στις απαιτήσεις της πελατείας. Η ποιότητα επιτυγχάνεται σε δύο βασικά πεδία:

• στο σύστημα, δηλαδή, στην εφαρμογή μεθόδων και διαδικασιών που μειώνουν και πρακτικά περιορίζουν στο ελάχιστο τα λάθη,

• στο πάθος και τη δέσμευση, δηλαδή στην συνειδητή στήριξη της προσπάθειας από όλο το ανθρώπινο δυναμικό (στελέχη και υπάλληλοι).

Πιστεύεται ότι το σύνολο των καθημερινών προβλημάτων πρέπει να επιλύονται αποτελεσματικά στο πρώτο επίπεδο του προσωπικού, δηλαδή από τους υπαλλήλους που έρχονται σε άμεση επαφή με την πελατεία. Η προσέγγιση αυτή, όμως πρέπει να είναι συστηματική (Jones and Lockwood, ό.π.). Μια από τις πιο επιτυχημένες μεθόδους της ολικής ποιότητας για την ενίσχυση της αποτελεσματικής συμμετοχής του προσωπικού είναι η διαδικασία συνεχούς βελτίωσης της ποιότητας. Η μέθοδος αυτή, εφαρμοσμένη από επιτυχημένες διεθνείς αλυσίδες, παρέχει στο ανθρώπινο δυναμικό τα κίνητρα και τα εργαλεία, το σύστημα δηλαδή και το πάθος ώστε να επιλύουν προβλήματα με πρακτικό τρόπο. Αυτό μπορεί να πραγματοποιηθεί μέσω ομάδων ή κύκλων ποιότητας. Η συνεισφορά της τεχνικής των κύκλων ποιότητας στη ΔΟΠ είναι ιδιαίτερα σημαντική. Μπορούμε να ισχυριστούμε ότι είναι μία από τις απαραίτητες προϋποθέσεις επιτυχίας ενός προγράμματος ποιότητας. Αποτελεί ένα εργαλείο της ΔΟΠ, με το οποίο ενθαρρύνεται το ανθρώπινο δυναμικό να αναλάβει την επιτυχή εκτέλεση της εργασίας του και να εξασφαλίσει τη συνεχή βελτίωση της εξυπηρέτησης προς την πελατεία.

Η έννοια πελάτης επεκτείνεται και στο λεγόμενο «εσωτερικό πελάτη», τον συνάδελφο που είναι αποδέκτης των υπηρεσιών των υπαλλήλων μέσα στην ίδια την επιχείρηση, όπου «πελάτης» της κουζίνας είναι ο τραπεζοκόμος και πελάτης του τραπεζοκόμου ο «εξωτερικός» πελάτης της επιχείρησης. Η ορθή ανταπόκριση κάθε κρίκου της αλυσίδας αυτής,

από τον προμηθευτή τροφίμων μέχρι τον ταμία, στις απαιτήσεις του πελάτη, εξασφαλίζει ότι η τελική εξυπηρέτηση θα υπερβεί τις προσδοκίες της πελατείας (James, ό.π.). Το μυστικό της ολικής ποιότητας είναι τα κίνητρα, που δεν είναι πάντα υλικά, όπως για παράδειγμα κίνητρα στο ανθρώπινο δυναμικό για αλλαγή νοοτροπίας και κίνητρα στον πελάτη για επιλογή του ξενοδοχείου.

Η βελτίωση της ποιότητας δεν διακρίνεται από περιορισμούς, είναι αέναη. Η επιτυχία εξαρτάται από τη συνέπεια στην εφαρμογή του προγράμματος ολικής ποιότητας, που μετά την παρέλευση ενός χρονικού διαστήματος γίνεται τρόπος ζωής (Teare, 1993). Ως εκ τούτου, απαιτείται συνεισφορά όλου του ανθρώπινου δυναμικού στη διαδικασία συνεχούς βελτίωσης, όπως καταδεικνύει και η επιτυχημένη εμπειρία της βρετανικής αλυσίδας Scott's Hotels. Σύμφωνα με την προσέγγιση της εν λόγω αλυσίδας, οι τρεις όροι που συνθέτουν τη στρατηγική ΔΟΠ είναι οι ακόλουθοι (Teare, et al., 1994):

• **Διοίκηση:** αναφέρεται στον τρόπο με τον οποίο όλο το ανθρώπινο δυναμικό εμπλέκεται στη λειτουργία της επιχείρησης, ενσωματώνει μία φιλοσοφία οργάνωσης και όχι επίβλεψης επικεντρωμένη στην πελατεία και στοχεύει στο να καταστήσει τις διαμορφούμενες καταστάσεις εφικτές παρά να δημιουργήσει προσκόμματα, εμπόδια και αντιστάσεις στην αλλαγή. Σημαίνει επίσης ότι τα στελέχη πρέπει να μάθουν να αφήσουν καταστάσεις που παραδοσιακά έλεγχαν και να παραχωρήσουν εξουσία και ευθύνη στους υπαλλήλους που είναι πλησιέστερα στις αποφάσεις που πρέπει να ληφθούν.

• **Ολική:** σημαίνει ότι ο καθένας μέσα σε μία επιχείρηση πρέπει να εμπλακεί ατομικά και συλλογικά, μέσω της ομαδικής εργασίας, στο αποτέλεσμα του έργου της επιχείρησης και να προσπαθήσει να κατανοήσει και να ανταποκριθεί στις ανάγκες όλων των πελατών (εσωτερικών και εξωτερικών).

• **Ποιότητα:** είναι συνώνυμη με το «γοητεύω τον πελάτη». Αυτό σημαίνει, ως ελάχιστο, εξασφάλιση ότι όλοι οι πελάτες απολαμβάνουν επακριβώς αυτό που προσδοκούν και ακόμη καλύτερα, ότι η εξυπηρέτηση της πελατείας υπερβαίνει τις προσδοκίες της (Baker and Crompton, ό.π.).

Ο στρατηγικός στόχος είναι η μεγιστοποίηση των εσόδων και η βελτίωση των κερδών με αυξημένη αποτελεσματικότητα και περιορισμό

των εξόδων που δεν αντιπροσωπεύουν άμεσα ή έμμεσα οφέλη για την πελατεία. Η προσπάθεια αυτή, συνδυασμένη με την ολική ποιότητα και τη συνεχή βελτίωση της εξυπηρέτησης, αποτελεί την καλύτερη στρατηγική απάντηση του μάνατζμεντ ξενοδοχειακών επιχειρήσεων σε συνθήκες έντονου ανταγωνισμού και ύφεσης.

4. Συμπεράσματα

Το ζήτημα του σχεδιασμού, οργάνωσης και διοίκησης ποιότητας στα ξενοδοχεία είναι πιθανότατα το πιο κρίσιμο πεδίο επιχειρηματικής επιτυχίας. Αναλύθηκε συνοπτικά το ζήτημα της ποιότητας στις ξενοδοχειακές υπηρεσίες, εξετάζοντας τις απαραίτητες προϋποθέσεις επιτυχίας ενός προγράμματος ποιότητας και επισημαίνοντας τις επιπτώσεις που συνεπάγεται στην όλη επιχειρηματική λειτουργία.

Το χάσμα μεταξύ της «ιδανικής» εμπειρίας εξυπηρέτησης και της «πραγματικής» εξυπηρέτησης που λαμβάνει ο πελάτης αναλύθηκε ως ένα στρατηγικό θέμα και παρουσιάστηκαν η ενδεδειγμένη στρατηγική και οι αναγκαίες δράσεις για συνεχή βελτίωση ποιότητας στις ξενοδοχειακές επιχειρήσεις.

Οι τρεις στρατηγικές ποιότητας που προϋπήρχαν της ΔΟΠ έχουν μειονεκτήματα όταν εφαρμόζονται στις υπηρεσίες, διότι δεν αποτελούν μία σφαιρική προσέγγιση. Αυτή η σοβαρή αδυναμία αντιμετωπίζεται κατάλληλα από τη φιλοσοφία / στρατηγική της ΔΟΠ, ιδιαίτερα επιβεβλημένη στις ξενοδοχειακές επιχειρήσεις.

Οφείλουμε να υπογραμμίσουμε ότι:

• Οι στόχοι εισαγωγής ποιότητας σε μία ξενοδοχειακή επιχείρηση θα πρέπει να καθορίζονται πρώτα και μετά να προσδιορίζεται το κατάλληλο σύστημα επίτευξης της ποιοτικής εξυπηρέτησης.

• Πρέπει επίσης να ληφθεί υπόψη το κόστος εισαγωγής ενός συστήματος ποιότητας. Γενικά αποφέρει σημαντικές εξοικονομήσεις σε χρόνο, ανθρώπινο δυναμικό και δαπάνες, οι οποίες πρέπει να συσχετιστούν με το κόστος λειτουργίας του συστήματος.

• Οφείλουμε να αποτιμήσουμε τις μη εμφανείς επιβαρύνσεις ποιότητας. Πρόκειται για επιβαρύνσεις και ζημιές ποιότητας που απορρέουν από την πρόληψη, την αξιολόγηση και την αποτυχία (Giatakis et al., 2001).

Ουσιαστικά όμως απαιτείται ανάλογη επιχειρηματική κουλτούρα και πνεύμα λειτουργίας. Η κατάλληλη κουλτούρα συνεπάγεται πρωτίστως μία δέσμευση της εταιρείας στη φιλοσοφία, τις δομές, τις διαδικασίες και την πρακτική της ΔΟΠ. Σημαίνει επίσης δέσμευση στις αρχές ικανοποίησης της πελατείας, προσαρμογής, βελτίωσης, καινοτομίας και εμπλοκής του ανθρώπινου δυναμικού στη διαδικασία συνεχούς βελτίωσης.

Τέλος, υπογραμμίζεται ότι το ζήτημα που ενέχει βαρύνουσα σημασία δεν είναι τόσο η εξωτερική αναγνώριση μέσω ενός από τα υφιστάμενα συστήματα πιστοποίησης – όπως για παράδειγμα το πρότυπο ISO -, αλλά ένα πνεύμα, μία επιχειρηματική κουλτούρα που συνεπάγεται πάθος, δέσμευση και εμμονή για υψηλής ποιότητας εξυπηρέτηση.

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EVALUATING FUNCTIONAL QUALITY IN TOURISM HIGHER EDUCATION: A Q-STUDY

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Abstract

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This paper is concerned with the dimensions of functional quality which form the basis of evaluative judgement in higher education institutes. The study takes four dimensions that have conceptual support in the literature and attempts to validate them within the context of tourism higher education, using a method that is different from the common ones used in this area. The method applied is Q-methodology. The result proposes that the Q-methodology is a useful approach in eliminating the validity and reliability problems created by subjectivity, particularly in the early scale development stages.

JEL classification: L83, I2.
Keywords: Evaluation, Higher education, Service quality dimensions, Tourism

1. Introduction

It is becoming increasingly accepted in the commercial world that the quality of a product or service cannot be maintained either externally from outside an organisation or internally from the top of the organization. What is required – and this concept is a principal tenet of total quality management (TQM) – is a total commitment to quality by all members of the organisation

(Lakhe and Mohanty, 1994). Indeed, evidence that manufacturing industries need to concentrate on quality and adopt approaches designed to improve performance has been well documented (Lockwood, 1995). Service industries, including tourism and hospitality industries, have not been slow to catch on. The examples of British Airways and Sheraton spring readily to mind.

One outcome of these trends has been an attempt by higher education to apply industrial concepts and techniques to the management of universities. Following the trend in industry, higher education has chosen to base its performance evaluation initiatives on the notion of quality. Evaluation of quality, however, is a notoriously ambiguous concept. In the commercial world where the notion should be at home, it defies generally agreed definition (Garvin, 1988). Equally, a number of writers in the higher education field have recognised how indeterminate the quality concept is when applied to higher education (Pounder, 1999; Stergiou and Angelopoulou, 2003a). Ekinci and Riley (1999, p. 287) summarise the situation well in their study of service quality measurement: "There is no social consensus on the meaning of quality even when there might be evaluative agreement on the quality of a good or service".

Against this background, the purpose of this study is to suggest ways in which the measurement of service quality in higher education can be improved. The paper will advocate and use a particular methodological approach known as Q-methodology and will apply it to the context of evaluating service quality in tourism higher education institutions. An exploratory study is presented to show the application of this methodology. More specifically, using support from the relevant literature, the study selects a set of established service quality dimensions and seeks to validate them in the particular service context of tourism higher education. The rationale for looking again at established dimensions is that they have not displayed a high level of consistency and they have not been empirically validated.

2. Service quality dimensions

According to Grönroos (1990) quality dimensions can be classified into two groups: technical quality and functional or process-related quality. The dimensions associated with technical quality are those concerned with the

outcome of the service provision: what the customer is left with when the production process and the personal interactions are over. In education, this could consist of the knowledge, skills and approaches that a student has gained over the duration of the course (Lockwood, 1995). Frequently, these dimensions can be measured objectively regardless of customers' opinions, because they represent the technical provision.

Functional dimensions are related to the interaction between the provider and recipient of the service – between the lecturer and the student – and in this sense they constitute the "how" of the service provision. This functional quality clearly has a major influence on the way the customer perceives technical provision. Dimensions of functional quality may include such elements as the relationships among staff and students, the attitudes and behaviour of staff, and their demonstrated competence in the performance of their tasks. These elements are very difficult to measure in any objective way because they are perceived in a subjective manner (*ibid.*). This study is concerned with those functional dimensions that form the basis of evaluative judgement on higher education institutions.

It is the subjectivity issue which has generated an empirical drive within the literature towards the identification and validation of such dimensions. However, a central thrust of this empirical literature is that either some of the dimensions do not exist or are flawed (Saleh and Ryan, 1991), or, that they have not displayed a high level of reliability and validity when applied in a specific service setting (Smith, 1995; Ekinci and Riley, 1999, 2001). Even though common dimensions may underlie scales derived from a variety of models of service quality, the conceptual problem of how they may be interpreted (content validity) remains unresolved. The thrust of the argument here is based on the assumption that the concept of service quality evaluation is a subjective entity that can be interpreted in a variety of ways. **By illustration, in the domain of quality measurement, the aforementioned conceptual and methodological problems are reflected in the most commonly used model of service quality dimensions SERVQUAL. This model, developed by Parasuraman, Zeithaml and Berry (1985), uses a questionnaire that claims to measure service quality in all salient service environments on five dimensions. Providing the advantages of an easy-to-use assessment tool well grounded in theory, the model has been extensively used as**

a basis of service quality theory and evaluation in higher education (McElwee and Redman, 1993; Anderson, 1995; Owlia and Aspinwall, 1996), including higher education for the tourism sector (Lockwood, 1995; Christou, 2002). Yet, despite its extensive use SERVQUAL continues to display a lack of consistency in replicating its dimensions across different types of service organisations (Babakus and Mongold, 1992). In other words, the content validity of the instrument has been found to be unstable. This unreliability, which also infects other scales of service quality and the fact that researchers in the field seem not to have been too concerned with the problem of the subjective interpretation of functional dimensions, form the rationale for this study. These shortcomings are addressed by applying Q-methodology as an alternative procedure. The thrust here is to see if the functional dimensions, which are established in the higher education literature, can be verified. It is not the purpose of this study to attack the SERVQUAL or any other scales of service quality. Rather, it seeks to validate their functional dimensions by other means. In particular, what is being attempted is to see if the chosen dimensions have been appropriately defined and actually exist before proceeding to the further analysis.

3. The rationale for using Q-methodology

Although a good number of the dimensions nominated by models of service quality for higher education have, what Ekinci and Riley (2001, p. 205) call, "common sense validity" in the sense that they concur with daily observation, this is not sufficient. When the investigator is merely armed with a suspicion and/or a small number of observations that a subjective entity, such as a way of evaluating something, exists, and when additionally they are confronted with the problem that even if it were established it could be described in many different ways, the technique needed is one that can capture subjectivity (Ekinci and Riley, 1999). Q-methodology addresses problems of this nature. Despite its potential for investigating questions involving priorities and suspected rank orders, Q-methodology is especially suited in cases where the very existence of concepts have not been established (Tractinsky

and Jarvenpaa, 1995). The concept of quality comes into this category. Reeves and Bednar (1994, p. 441) put it clearly when they asserted that: "The search for a universal definition of quality and a statement of law like relationships has been unsuccessful".

Now more than half a century old (Stephenson, 1935a, 1935b), Q-methodology can hardly lay claim to the status of a new or innovative method for conducting research in the social sciences. As a matter of fact, the literature on Q-methodology now contains more than 1500 bibliographic entries, and journals reporting research from Q-studies can be found across the social sciences spectrum, both inside and out of the English-speaking world (McKeown and Thomas, 1988). Be that as it may, Q retains a somewhat fugitive status within the larger social scientific community. This can perhaps be justified by noting that, whereas most social scientists have at least heard of Q-methodology, only a handful have attended seriously to its broader methodological foundations and principles (Brown, 1986). Indeed, most of the published studies have not exploited its possibilities. There are noteworthy exceptions, to be sure, but in the vast majority of the entries that make up the literature in which applications of Q-methodology appear, Q is treated as a rather ingenious idea for sorting cards and not as a scientific instrument to help build and test theory, as Stephenson conceived it (Kerlinger, 1992).

Broadly, Q-methodology provides the foundation for a science of subjectivity where self-reference, that is the person's "internal" frame of reference, becomes a locus for understanding the human condition (Goldman, 1999). However, subjectivity should not be confused here with simple partiality. Rather in the lexicon of Q-methodology, subjectivity refers to nothing more than a person's communication of his or her point of view. As such, subjectivity is always anchored in self-reference, but this does not render it inaccessible to rigorous examination. By way of contrast, Q-methodology operates within the internal frame of reference, not in the sense of a meta-physical subjectivism accessible only to introspection, but in the thoroughly empirical sense of subjective communicability (Stephenson, 1980). What evolves from the use of Q-methodology, thus, are answers to questions that seek to develop and understand the dimensions of subjective phenomena from a perspective intrinsic to the individual (Dennis, 1986).

Concepts of a subjective nature and the focus on the individual are of par-

ticular interest and concern to researchers who seek to understand the nature of perceptions and evaluative judgements regarding dimensions of service quality. The work of Ekinci and Riley (1999; 2001) and Stergiou and Angelopoulou (2003a, 2003b), presents only a limited number of the substantive research topics in service quality measurement for which Q-methodology is not only appropriate but perhaps the method of choice. As Brown (1980, p. 58) has argued, "where individuals are involved and can be expected to entertain viewpoints with respect to things going on around them, however subjective these viewpoint may be, Q-methodology can illuminate in broad outline the major effects that are operating".

The instrumental basis of Q-methodology is the Q-sort test. A brief description of the technique is deceptively simple, yet it provides an organising framework for understanding the unique procedures that are integral to this method of investigation. The Q-sort test conventionally involves four stages. The first task is to specify the domain of the construct to be studied (politicians, or brands in a specific market, or opinions on topic X, etc.) and to create a set of construct definitions by inductive (literature review) or deductive (expert opinion) methods (Hinkin and Schriesheim, 1989). The second task is to generate an adequate and relatively large sample of statements (the Q-sample), which nominally represent these definitions. The third stage involves the selection of the sample of respondents (called the P-sample), which may be either a simple sample from the relevant population or a structured sample representing theoretically relevant sub-populations. The final stage consists of the experiment itself in which subjects are asked to combine the statements with the definitions, either on a "forced" or a "free sort" basis.

The output of a sample of Q-sort tests should be seen as proof of a "reliable schematic" or cognitive pattern (Thomas and Baas, 1992). It plays a role of setting up empirical approaches so that theory can be tested. Essentially, Q-sort is about finding concepts and categories, which capture an entity, by finding stimuli that can be clustered together to form a description of it (Ekinci and Riley, 2001). However, it should be made clear from the outset that without confirmatory factor analysis one can rarely generalise to populations from P-samples (Kerlinger, 1992). In this case, the technique must be seen only as a preliminary methodology the output of which must be submitted to more empirical approaches.

It is also necessary to state two defining rules in order to judge the final result in Q-study. First, the rules of the procedure are that a dimension only exists if at least two statements legitimately describe it and second, for a statement to be legitimate 60 per cent of the sample must have allocated it to the same dimension. Although the suggested cut off value may seem to be arbitrary, it should be noted that its use was decided here for two reasons. First, the same figure has been adopted for scale development studies by Bernardin et al. (1976), Hinkin and Schriesheim (1989), Ekinci and Riley (2001) and Stergiou, Airey and Riley (2002, 2003). Second, this percentage can be seen as similar to a correlation score, which is a major method used for assessing the reliability and validity of a scale. Given the fact that it is very difficult to find a 100 percent agreement among the subjects in sorting procedure, such a high value score reduces the risk of overlapping statements with other categories (Ekinci and Riley, 1999). At the final stage, four to six statements per every dimension should be obtained in order to provide adequate internal consistency (Hinkin, Tracey and Enz., 1997).

4. The Q-study

To demonstrate how Q-methodology can be used to broaden our understanding of the evaluation process of functional quality dimensions within the context of higher education for tourism, we undertook a small sample Q-study. For convenience the P-sample was drawn from the same department of a well-established higher education institute offering a variety of tourism modules in Greece. Specifically, we sought to use Q-methodology to see if a number of proposed dimensions of functional quality for higher education are valid as evaluative constructs.

The methodology assumes that there is a theoretical multidimensional model behind the evaluation of functional quality in higher education institutions. To illustrate the usefulness of the methodology, four dimensions (staff behaviour/attitude, competence, reliability, delivery) were selected on the basis that they had been frequently used in connection with higher education institutes. In line with the suggestion of Owlia and Aspinwall (1996) that the specific characteristics of higher education necessitates finding its unique dimensions in addition to the

common features with other service sectors, these dimensions were selected from three service quality models adapted for higher education (see Madu and Kuei, 1993; McElwee and Redman, 1993; Owlia and Aspinwall, 1996).

The test consisted of four definitions and a "don't know" category typed on cards and 50 statements, representing ten statements for each dimension, typed on separate cards. Following the proposition of Parasuraman, Zeithaml and Berry (1988) that attitude toward quality is formulated in a both positive and negative form, both positive and negative items were used to reduce respondents' bias in measurement. The conceptual definitions of dimensions were created by adapting ones, which existed in the relevant literature. This was necessary to minimise conceptual overlapping. For example, the following is the conceptual definition of reliability:

This concerns the school's regularity and consistency in performing services and the degree to which it inspires confidence and trust in students. In operational terms, this means keeping promises, delivering correct and up-to-date education, inspiring trustworthiness, and the efficiency of the recovery process if anything goes wrong.

The 40 statements, which were generated in accord with the definitions, were culled from existing studies (see, e.g., Ramsden, 1991; Anderson, 1995; Kwan and Ng, 1999; Stergiou, Airey and Riley, 2002), or prepared by the writers on the basis of their and their colleagues' knowledge of the field. Tourism academics and researchers refined the conceptual definitions of dimensions and the statements until they were sufficiently clear to be operational in Q-sort test (face validity).

5. The P-sample

Individuals comprising the P-set were selected because they were students registered in tourism related programmes in higher education. Forty individuals met the purposive selection criteria and agreed to engage in the Q-sort activity. According to Brown (1986), P-sets of this range are more than adequate for the purposes of Q-studies. Overall, the P-sample included 23 second-year and 17 third-year students. The sample profile was 54 per cent female, 46 per cent male.

6. The test procedure

All the statement cards were shuffled into a random order and subjects were asked to associate these statements against the four definition cards and a "don't know" option. It has to be pointed out that crucial to the test was the stipulation that the definition cards be untitled. The "don't know" option was used because at this stage we are not certain that the dimensions exist at all. Therefore, using a forced choice approach would run the risk of a false assumption.

7. The findings

An example of the results for the "staff behaviour / attitude" and "competence" dimensions is illustrated in Table 1, which demonstrates the frequency of qualifying to non-qualifying statements for the sample. The percentage figure represents the degree of agreement between the sample on how far the statement describes the dimension to which it was assigned. As can be seen from the table, the first six statements for the first dimension and the first four statements for the second dimension pass the qualifying criteria, which means that over 60 per cent of the sample agreed that they described the definitions of "staff behaviour/attitude" and "competence" respectively. This result gives support to the notion that these dimensions exist (Brown, 1986).

Table 1.: The performance of staff behaviour/attitude and competence statements

Dimension	Frequency (%) n = 40
Staff behaviour/attitude	
The lecturers are willing to explain things when I ask	85
The lecturers seem to want to get rid of me when I ask a question	85
The lecturers are helpful and friendly	70
The lecturers frequently give the impression that they do not care about the difficulty students may be having with their work	68
The lecturers always treat you like a stranger	65
The lecturers make a real effort to understand difficulties students may be having with their work	63
The lecturers show no real interest in what students have to say	55
The lecturers recognise me	53
The lecturers never use student name	50
The lecturers frequently give the impression that they haven't anything to learn from students	47
Competence	
The lecturers possess formal academic qualifications	70
The lecturers do not possess any formal academic qualifications	67
The lecturers have direct experience of the tourist industry	60
The lecturers emphasise the practical at the expense of theory	60
The lecturers do not have relevant industrial experience	58
The lecturers are really good, they display effortless expertise	58
The lecturers don't know what they are talking about	55
The lecturers are able to explain facts and practical examples	47
The lecturers have difficulties in explaining facts and practical examples	47
The knowledge of lecturers is well-rooted in the theoretical literature	45

The output of the study is a set of 19 statements with at least four attached to each proposed dimension, as defined in the Appendix. This is provisional evidence that the dimensions used on the other models are valid. However, the dimension of "reliability" had only three qualifying statements assigned to it,

which means that the internal consistency for this dimension was not obtained. For the purpose of this case, these three statements were disqualified. Having obtained a sufficient number of statements the next stage of the research is to transfer the accepted statements to a questionnaire and for them to be tested using a range of scaling techniques. The versatility of the methodology means that any conventional scaling approach, providing either ordering or metric information or a combination of the two, can be employed (e.g. the Thurstone scale, the Likert scale, the Guttman scale, Osgood's Semantic Differential, etc.).

8. Conclusions

One possible view of the literature on service quality for higher education may be that whilst it demonstrates significant progress, it still has not been concerned with the empirical validation of the proposed quality dimensions and the antecedent structure of an individual's evaluative process. This study attempts to address these shortcomings by trying to validate these dimensions within the specific service context of a tourism higher education institute, using Q-methodology as an alternative measuring procedure to the now common methodological approaches used in this area.

The purpose of this study has been to illustrate the value of Q-sort technique as a preliminary process in scale development. It follows, therefore, that the findings with regard to the dimensions require further measurement. However, provisional evidence from this case study suggests that it may be worthwhile to use the slower Q-sort approach instead of relying on "after the fact" or pilot tests to check the content validity of the dimensions. Indeed, Ekinci and Riley (1999) agree that despite the fact that content validity is usually checked at the end of the study, it is in fact the first stage of scale development.

In methodological terms, the technical argument in favour of Q-sort technique is that although the qualifying statements will actually have to be submitted to a range of scaling types, they already have had the subjectivity and bias reduced. In other words, particular attention has been paid to the item development stage before moving to the further analysis. In fact, Stergiou, Airey and Riley (2002) proposed that this process should be accepted in studies involving subjective evaluations. Hinkin, Tracey and Enz (1997) provide additional support to the approach adopted here when they characterise the item development stage as the foundation of internal consistency reliability.

   To the extent that this is a pioneering study it inevitably contains weaknesses. The preliminary nature of the study and the fact that it is based solely on the experience of tourism education in Greece, limit the generality of findings. These limitations apart, the approach and findings of the study provide what is believed to be a useful starting point for an understanding of the evaluative process of service quality in higher education institutes. The tourism sector does not possess a well-established instrument for measuring service quality which is focused on higher education services and which is reliable and valid. This study is part of a serious approach, which is making steady progress towards the development of such an instrument. This information, together with the prioritised objectives of a particular institution, will form the platform from which a quality programme can be developed.

APPENDIX

The validated statements

Dimension	Frequency (%) n = 40
Staff behaviour/attitude	
The lecturers are willing to explain things when I ask	85
The lecturers seem to want to get rid of me when I ask a question	85
The lecturers are helpful and friendly	70
The lecturers frequently give the impression that they do not care about the difficulty students may be having with their work	68
The lecturers always treat you like a stranger	65
The lecturers make a real effort to understand difficulties students may be having with their work	63

Competence	
The lecturers possess formal academic qualifications	70
The lecturers do not possess any formal academic qualifications	67
The lecturers have direct experience of the tourist industry	60
The lecturers emphasise the practical at the expense of theory	60
Reliability	
Marks are always fair	68
There is constant dispute with lecturers about the marks	65
The school does not deliver any of its promises	60
Delivery	
Normally the lectures don't have a clear sequence	85
The lecturers explain the sequence of the lecture at the beginning	83
The lecturers announce the objectives of the lecture at the beginning	75
The aims of lectures are not made very clear	73
After a lecture I remember most of the delivered material	68
Lectures are well-timed and efficient	63

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POTENTIAL USES OF LINEAR PROGRAMMING IN SMALL ENTERPRISES - THE CASE OF ALLOCATING ADVERTISING EXPENSES OF A SMALL SERVICE COMPANY IN CRETE

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Abstract

Evangelos Tsoukatos - Stefanos Karagiannis: *Potential uses of Linear Programming in small enterprises - The case of allocating advertisimg expenses of a small service company in Crete.*

One of the most important functions of enterprises is advertising as a means of systematically approaching specific market segments and informing prospective customers for their products, services or even their existence. The purpose of every advertising campaign is to achieve the greatest possible impact, to the market segments addressed, within the frames of a given budget and under a set of qualitative or quantitative constraints. The cost to benefit relationship of such a campaign is an important issue for every enterprise and in particular for small or medium ones. Linear programming can contribute towards the effective allocation of advertising expenses and the use of MS Excel Solver facilitates the solution of the resulting mathematical models. A method for the allocation of advertising expenses among available advertising vehicles using LP and Microsoft Excel's Solver on actual data is described.

JEL classification: C61, C81, C88.

Keywords: Advertising, linear programming, allocation of advertising expenses.

1. The use of Linear Programming in allocating advertising expenses

The issue of developing and using linear models for the allocation of advertising expenses among available advertising vehicles has been exten-

sively debated. Zangwill W. I., (1965, p 30-36) discusses the use of decision programming, a technique related to linear programming, as an aid to advertising media selection. Brown D.B. & Warshaw M.R. (1965, pp 83-88) present a media mix model which assumes linear response and illustrate how the model can accommodate non linearity while using the revised simplex method as the solution algorithm. Bass F.M. & Lonsdale R.T. (1966, pp 179-188) explore some operational details of the application of linear programming to the selection of advertising media. Stasch S.F. (1965 pp 40-46) points out a method of extending the linear programming technique to include space and time considerations in media selection and proposes (1967, pp 205-207) that the most promising technique for media selection is linear programming. Finally, Keown A. & Duncan C. (1974, pp 977-980) explore the application of integer goal programming for solving advertising media selection situations.

On the basis of the relevant literature and given that the problem of allocating advertising expenses can be easily formulated in linear terms, one would expect that Linear Programming (LP) would have been widely used in this respect. However, although LP is taught in every business or management school worldwide, it has been so far hardly used in real world conditions by management. This is because the LP formulation of, even the simplest, business situations involves an exceptionally big number of variables and constraints and, hence, expensive dedicated software and specialised personnel is needed to handle the resulting models. Thus LP, for a number of years, has been used only by very big business, government agencies and organizations or in the frames of academic research (Caine D.J. & Parker B.J., 1996, p. 46).

The extensive use of personal computers, the dramatic reduction of their cost and the tremendous increase of their computing ability have influenced the management culture worldwide. Senior, medium and front-line management have now access to personal computers and spreadsheet software such as Microsoft Excel (Microsoft Corporation, 1985-2001) is extensively used. The package contains Solver, an exceptionally evolved and impressively powerful tool that is very effective for handling linear and not linear optimisation problems (Burton G., Carrol G. & Wall S., 1999, pp 234 - 236). Resource allocation situations are not only easily handled by Solver but additional, decision support, information can also be obtained (Caine

D.J. & Parker B.J., 1996, p. 46). In the following pages a method for the allocation of advertising expenses using LP and Microsoft Excel's Solver on actual data is described.

2. The Problem

A small service company in one of the major cities in Crete asked a local agency to design and implement on its behalf, an advertising campaign for the August – September period of 2003 within the frames of a budget of € 4.000,00. The agency proposed as the most suitable advertising media for the occasion the 4 local daily newspapers (which for obvious reasons we will, from now on, call Newspaper_1, 2, 3 and 4). Its creative department produced a two column, 10 cm long storyboard that was accepted by the company. For maintaining good relations with all newspapers (business communities even in great cities are quite close castes) the company required that Newspaper_2 should get at least 15% of the total no of ads to be published, while Newspaper_1 and 4 should get at least 10% each.

The agency asked us for assistance regarding the allocation of expenses among the four newspapers in order to achieve optimal effectiveness within the frames of the available budget.

3. Available Data

Newspapers_2 and 3 are independent and are mainly distributed through the network of news kiosks and stands, Newspapers_1 and 4 are closely affiliated to specific political parties and are mainly distributed to subscribers which are principally enterprises, professional offices and public services and organisations.

3.1. Circulations

In the following Table 1, the circulations of the four newspapers, according to the Local Press Distribution Agency, are presented:

Table 1: Circulations

Newspaper	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Np_1		2.000	2.000	2.000	2.000	2.000	2.000
Np_2	10.000	6.000	6.000	6.000	6.000	6.000	
Np_3		12.000	7.000	7.000	7.000	7.000	7.000
Np_4		1.700	1.700	1.700	1.700	1.700	1.700

3.2. Readerships

Marketing people know that each newspaper sold is usually read by more, than one, readers. According to data available to the advertising agency, the average readers per copy are 4 for Np_1, 2 and 4 and 6 for Np_3. So to calculate total newspaper readerships, newspaper circulations should be multiplied by the relevant readers/copy factors (Table 2).

Table 2: Readerships

Newspaper	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
Np_1		8.000	8.000	8.000	8.000	8.000	8.000
Np_2	40.000	24.000	24.000	24.000	24.000	24.000	
Np_3		72.000	42.000	42.000	42.000	42.000	42.000
Np_4		6.800	6.800	6.800	6.800	6.800	6.800

3.3 Advertisement Effectiveness and Cost

Newspapers charge for advertising space by the "running centimetre" i.e. a vertical centimetre of a single column. Thus a 10cm long, two columns wide ad will be charged as 20 running centimetres e.t.c.

It is considered that a front page ad will be read by 100% of the newspaper's readership (Exposure factor = 1,00), the same ad in the back page will attract 80% of the readership (Exposure factor = 0,80) while in internal pages the percentage of readers attracted by an ad is limited to 40% (Exposure factor = 0,40). Based on the above, the price lists of the newspapers in question are listed in the following Table 3.

Table 3: Advertising Cost (running centimetre)

Newspaper	Front Page	Back Page	Internal Pages
Np_1	€ 6,00	€ 4,00	€ 3,00
Np_2	€ 8,00	€ 6,00	€ 3,00
Np_3	€ 8,00	€ 6,00	€ 3,00
Np_4	€ 6,00	€ 4,00	€ 3,00

4. Methodology and Solution

To measure the effectiveness of the advertising vehicles available the Weighted Adjusted Audience (WAA) (Bass F.M. & Lonsdale R.T., 1966, pp 179-188) has been used which is calculated by the following formula.

WAA = Adjusted audience (AA) x Exposure factor (ExF) x Evaluation Factor (EvF).

Where:

AA   *is the total readership or audience of the advertising vehicle, less that part of it not thought to be customers of the product or service,*

ExF   *is the fraction of the readership or audience one expects to see the advertisement and*

EvF   *is a subjective weight, scored on a 0-1 scale by an advertising expert, representing the appropriateness of the advertising vehicle in question.*

For newspaper i we have considered three separate advertising vehicles i.e. Np_i FP (front page), Np_i BP (back page) and Np_i IP (internal pages) on the grounds of different Exposure Factors. Because of their increased circulation the Monday's edition of Newspaper 2 and the Tuesday's edition of Newspaper 3 were regarded as separate newspapers, Np_2(Mon) and Np_3(Tue) respectively. The following Table 4 summarizes all information with respect to the 18 available advertising vehicles.

Table 4: Information on Advertising vehicles

Advertising Vehicle	Cost (€) per 10cm Two column Ad	Circulation	Readers/copy	AA*	ExF	EvF**	WAA
Np_1 FP	120	2.000	4	8.000	1,00	0,80	6.400
Np_1 IP	60	2.000	4	8.000	0,40	0,80	2.560
Np_1 BP	80	2.000	4	8.000	0,80	0,80	5.120
Np_2 FP	160	6.000	4	24.000	1,00	1,00	24.000
Np_2 IP	60	6.000	4	24.000	0,40	1,00	9.600
Np_2 BP	120	6.000	4	24.000	0,80	1,00	19.200
Np_2 (Mon) FP	160	10.000	4	40.000	1,00	1,00	40.000
Np_2 (Mon) IP	60	10.000	4	40.000	0,40	1,00	16.000
Np_2 (Mon) BP	120	10.000	4	40.000	0,80	1,00	32.000
Np_3 FP	160	7.000	6	42.000	1,00	1,00	42.000
Np_3 IP	60	7.000	6	42.000	0,40	1,00	16.800
Np_3 BP	120	7.000	6	42.000	0,80	1,00	33.600
Np_3 (Tue) FP	160	12.000	6	72.000	1,00	1,00	72.000
Np_3 (Tue) IP	60	12.000	6	72.000	0,40	1,00	28.800
Np_3 (Tue) BP	120	12.000	6	72.000	0,80	1,00	57.600
Np_4 FP	120	1.700	4	6.800	1,00	0,70	4.760
Np_4 IP	60	1.700	4	6.800	0,40	0,70	1.904
Np_4 BP	80	1.700	4	6.800	0,80	0,70	3.808

* No evidence to support exclusion of any part of readership

** Subjective evaluation of advertising vehicles by a marketing expert

4.1. Linear Programming Formulation

Let variables D2 to D19 represent the number of ads in every available advertising vehicle, B2 to B19 the corresponding costs and C2 to C19 the associated WAA's. The Linear Programming Formulation of the problem will be:

4.1.1. Objective function

$$\textbf{Maximize total WAA} = \sum_{i=2}^{19} C_i D_i$$

4.1.2. Constraints

(1) Non-negativity　　　　　　$D_i \geq 0,$　　　　$i = 2$ to 19

(2) Integrity　　　　　　　　$D_i = $ integer,　$i = 2$ to 19

(3) Budget　　　　　　　　$\sum_{i=2}^{19} B_i D_i \leq €\ 4.000,00$

During the period from 1/8 – 30/9/2003, Np_1 and 4 will publish 50 issues each, Np_2 will publish 9 Monday issues and 42 in other weekdays and Np_3 will publish 9 Tuesday and 41 other issues. Hence operational constraints (5) to (10), preventing an ad to be published more than once in each issue, emerge.

(4) Total Np_1 ads　　　$\sum_{i=2}^{4} D_i \leq 50$　(5)　Total Np_2 ads $\sum_{i=5}^{7} D_i \leq 42$

(6) Total Np_2 (Mon) ads $\sum_{i=8}^{10} D_i \leq 9$　(7)　Total Np_3 ads $\sum_{i=11}^{13} D_i = 41$

(8) Total Np_3 (Tue) ads $\sum_{i=14}^{16} D_i \leq 9$　(9)　Total Np_4 ads $\sum_{i=17}^{19} D_i \leq 50$

The relations maintaining constraints take the form:

(10) Allocation of ads to Newspaper 1　　　$\sum_{i=2}^{4} D_i \geq 10\% \times \sum_{i=2}^{19} D_i$

(11) Allocation of ads to Newspaper 2　　　$\sum_{i=5}^{10} D_i \geq 15\% \times \sum_{i=2}^{19} D_i$

(12) Allocation of ads to Newspaper 4　　　$\sum_{i=17}^{19} D_i \geq 10\% \times \sum_{i=2}^{19} D_i$

4.2. Using Excel Solver

The transformation of the LP formulation into Excel format is presented in the following Table 5.

Table 5: LP formulation in Excel format

	A	B	C	D
1	**Advertising Vehicle**	**Cost (€) per unit**	**WAA**	**Quantity**
2	**Np_1 FP**	**120**	6.400	
3	**Np_1 IP**	**60**	2.560	
4	**Np_1 BP**	80	5.120	
5	**Np_2 FP**	160	24.000	
6	**Np_2 IP**	60	9.600	
7	**Np_2 BP**	120	19.200	
8	**Np_2 (Mon) FP**	160	40.000	
9	**Np_2 (Mon) IP**	60	16.000	
10	**Np_2 (Mon) BP**	120	32.000	
11	**Np_3 FP**	160	42.000	
12	**Np_3 IP**	60	16.800	
13	**Np_3 BP**	120	33.600	
14	**Np_3 (Tue) FP**	160	72.000	
15	**Np_3 (Tue) IP**	60	28.800	
16	**Np_3 (Tue) BP**	120	57.600	
17	**Np_4 FP**	120	4.760	
18	**Np_4 IP**	60	1.904	
19	**Np_4 BP**	80	3.808	
20				
21	**Objective function**	**Maximize total WAA**		**0**
22				
23		**Subject to the following constraints**		
24	**Non-negativity**			0
25	**Integer solution**			
26	**Budget**	€ 0,00	no more than	€ 4.000,00
27		**Operational Constraints**		
28	**Total No of Ads in Np_1**	0	no more than	50
29	**Total No of Ads in Np_2**	0	no more than	42
30	**Total No of Ads in Np_2 (Mon)**	0	no more than	9
31	**Total No of Ads in Np_3**	0	no more than	41
32	**Total No of Ads in Np_3 (Tue)**	0	no more than	9
33	**Total No of Ads in Np_4**	0	no more than	50

34	Allocating busines constraints			
35	Total No of Ads in Newspaper 1	0	at least	0
36	Total No of Ads in Newspaper 2	0	at least	0
37	Total No of Ads in Newspaper 4	0	at least	0

Having transformed the problem into Excel format, from the **Tools** menu, **Solver** is selected and the dialogue box of Diagram 1 will guide the user to insert the solution parameters.

Diagram 1: Solver Tool dialogue frame
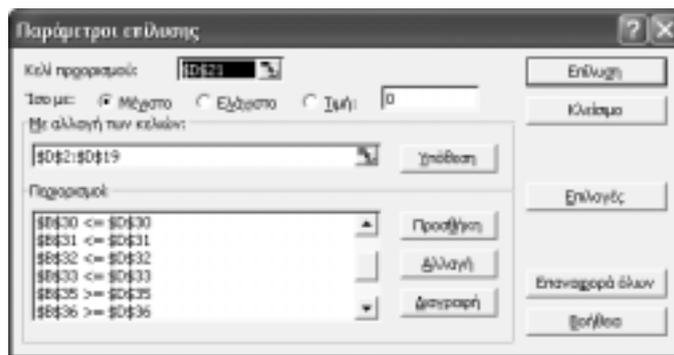
Individual constraints can be inserted using the dialog box in Diagram 3.

Non negativity constraint   Integer solution constraint

Diagram 3: Adding constraints

Pressing **Solve**, Excel comes with the following spreadsheet solution.

Table 6: Spreadsheet solution

	A	B	C	D
1	**Advertising Vehicle**	**Cost (€) per unit**	**WAA**	**Quantity**
2	**Np_1 FP**	120	6.400	0
3	**Np_1 IP**	60	2.560	3
4	**Np_1 BP**	80	5.120	0
5	**Np_2 FP**	160	24.000	0
6	**Np_2 IP**	60	9.600	0
7	**Np_2 BP**	120	19.200	0
8	**Np_2 (Mon) FP**	160	40.000	9
9	**Np_2 (Mon) IP**	60	16.000	0
10	**Np_2 (Mon) BP**	120	32.000	0
11	**Np_3 FP**	**160**	42.000	0
12	**Np_3 IP**	60	16.800	0
13	**Np_3 BP**	120	33.600	6
14	**Np_3 (Tue) FP**	160	72.000	9
15	**Np_3 (Tue) IP**	60	28.800	0
16	**Np_3 (Tue) BP**	120	57.600	0
17	**Np_4 FP**	120	4.760	0
18	**Np_4 IP**	60	1.904	1
19	**Np_4 BP**	80	3.808	2
20				
21	**Objective function**	**Maximize total WAA**		**1.226.800**
22				
23	**Subject to the following constraints**			
24	**Non-negativity**			0
25	**Integer solution**			
26	**Budget**	€ 4.000,00	no more than	€ 4.000,00
27	**Operational Constraints**			
28	**Total No of Ads in Np_1**	3	no more than	50
29	**Total No of Ads in Np_2**	0	no more than	42
30	**Total No of Ads in Np_2 (Mon)**	9	no more than	9
31	**Total No of Ads in Np_3**	6	no more than	41
32	**Total No of Ads in Np_3 (Tue)**	9	no more than	9
33	**Total No of Ads in Np_4**	3	no more than	50

34	Allocating busines constraints			
35	**Total No of Ads in Newspaper 1**	3	at least	3
36	**Total No of Ads in Newspaper 2**	9	at least	5
37	**Total No of Ads in Newspaper 4**	3	at least	3

The solution of Table 6 informs as that by totally spending our € 4.000,00 budget we can achieve a maximum of **1.226.800 WAA**, by publishing a total of 30 ads, 3 of which in the internal pages of Newspaper 1, 9 in the front page of the Monday edition of Newspaper 2, 6 in the back page of Newspaper 3, 9 in the front page of the Tuesday edition of the same paper and finally 1 in the internal and 2 in the back pages of Newspaper 4. A full solution report can also be obtained (Table 7).

Table 7: MS Excel Solver Solution Report

Microsoft Excel 10.0 Answer Report
Workbook: [Book1.xls]Sheet1
Date: 16/8/2003 10:09:42 am

Target cell (**Maximum**)			
Cell	Name	Initial value	Final Value
$D$21	Maximize total WAA Quantity	0	**1.226.800**
Adjusted cells			
Cell	Name	Initial value	Final Value
$D$2	Np_1 FP Quantity	0	0
$D$3	Np_1 IP Quantity	0	**3**
$D$4	Np_1 BP Quantity	0	0
$D$5	Np_2 FP Quantity	0	0
$D$6	Np_2 IP Quantity	0	0
$D$7	Np_2 BP Quantity	0	0
$D$8	Np_2 (Mon) FP Quantity	0	**9**
$D$9	Np_2 (Mon) IP Quantity	0	0
$D$10	Np_2 (Mon) BP Quantity	0	0
$D$11	Np_3 FP Quantity	0	0
$D$12	Np_3 IP Quantity	0	0
$D$13	Np_3 BP Quantity	0	**6**
$D$14	Np_3 (Tue) FP Quantity	0	**9**
$D$15	Np_3 (Tue) IP Quantity	0	0
$D$16	Np_3 (Tue) BP Quantity	0	0

Cell	Name		
$D$17	Np_4 FP Quantity	0	0
$D$18	Np_4 IP Quantity	0	**1**
$D$19	Np_4 BP Quantity	0	**2**

Table 7: (continued): MS Excel Solver Solution Report - Constraints

Constraints

Cell	Name	Initial value		Final Value	
$B$26	Budget Maximize total WAA	€ 4.000,00	$B$26<=$D$26	Binding	0
$B$28	Total No of Ads in Np_1 Maximize total WAA	3	$B$28<=$D$28	Non Binding	47
$B$29	Total No of Ads in Np_2 Maximize total WAA	0	$B$29<=$D$29	Non binding	42
$B$30	Total No of Ads in Np_2 (Mon) Maximize total WAA	9	$B$30<=$D$30	Binding	0
$B$31	Total No of Ads in Np_3 Maximize total WAA	6	$B$31<=$D$31	Non binding	35
$B$32	Total No of Ads in Np_3 (Tue) Maximize total WAA	9	$B$32<=$D$32	Binding	0
$B$33	Total No of Ads in Np_4 Maximize total WAA	3	$B$33<=$D$33	Non binding	47
$B$35	Total No of Ads in Newspaper 1 Maximize total WAA	3	$B$35>=$D$35	Binding	0
$B$36	Total No of Ads in Newspaper 2 Maximize total WAA	9	$B$36>=$D$36	Non binding	4
$B$37	Total No of Ads in Newspaper 4 Maximize total WAA	3	$B$37>=$D$37	Binding	0
$D$2	Np_1 FP Quantity	0	$D$2>=$D$24	Binding	0
$D$3	Np_1 IP Quantity	3	$D$3>=$D$24	Non binding	3
$D$4	Np_1 BP Quantity	0	$D$4>=$D$24	Binding	0
$D$5	Np_2 FP Quantity	0	$D$5>=$D$24	Binding	0
$D$6	Np_2 IP Quantity	0	$D$6>=$D$24	Binding	0
$D$7	Np_2 BP Quantity	0	$D$7>=$D$24	Binding	0
$D$8	Np_2 (Mon) FP Quantity	9	$D$8>=$D$24	Non binding	9
$D$9	Np_2 (Mon) IP Quantity	0	$D$9>=$D$24	Binding	0
$D$10	Np_2 (Mon) BP Quantity	0	$D$10>=$D$24	Binding	0
$D$11	Np_3 FP Quantity	0	$D$11>=$D$24	Binding	0

$D$12	Np_3 IP Quantity	0	$D$12>=$D$24	Binding	0
$D$13	Np_3 BP Quantity	6	$D$13>=$D$24	Non binding	6
$D$14	Np_3 (Tue) FP Quantity	9	$D$14>=$D$24	Non binding	9
$D$15	Np_3 (Tue) IP Quantity	0	$D$15>=$D$24	Binding	0
$D$16	Np_3 (Tue) BP Quantity	0	$D$16>=$D$24	Binding	0
$D$17	Np_4 FP Quantity	0	$D$17>=$D$24	Binding	0
$D$18	Np_4 IP Quantity	1	$D$18>=$D$24	Non binding	1
$D$19	Np_4 BP Quantity	2	$D$19>=$D$24	Non binding	2
$D$2	Np_1 FP Quantity	0	$D$2=integer	Binding	0
$D$3	Np_1 IP Quantity	3	$D$3=integer	Binding	0
$D$4	Np_1 BP Quantity	0	$D$4=integer	Binding	0
$D$5	Np_2 FP Quantity	0	$D$5=integer	Binding	0
$D$6	Np_2 IP Quantity	0	$D$6=integer	Binding	0
$D$7	Np_2 BP Quantity	0	$D$7=integer	Binding	0
$D$8	Np_2 (Mon) FP Quantity	9	$D$8=integer	Binding	0
$D$9	Np_2 (Mon) IP Quantity	0	$D$9=integer	Binding	0
$D$10	Np_2 (Mon) BP Quantity	0	$D$10=integer	Binding	0
$D$11	Np_3 FP Quantity	0	$D$11=integer	Binding	0
$D$12	Np_3 IP Quantity	0	$D$12=integer	Binding	0
$D$13	Np_3 BP Quantity	6	$D$13=integer	Binding	0
$D$14	Np_3 (Tue) FP Quantity	9	$D$14=integer	Binding	0
$D$15	Np_3 (Tue) IP Quantity	0	$D$15=integer	Binding	0
$D$16	Np_3 (Tue) BP Quantity	0	$D$16=integer	Binding	0
$D$17	Np_4 FP Quantity	0	$D$17=integer	Binding	0
$D$18	Np_4 IP Quantity	1	$D$18=integer	Binding	0
$D$19	Np_4 BP Quantity	2	$D$19=integer	Binding	0

5. Conclusions

Linear Programming is a widely known decision-making technique, often the only suitable in resource allocation situations. Its use has been pre-vented because the LP formulation of most real world business problems requires complex mathematical computations. For many years, available software capable of handling these computa-tions was either too expensive or difficult to be comprehended by non-specialised management staff and

hence, the technique was used only by big enterprises, government agencies and academics.

The methodological approach for the distribution of advertising expenses presented in this paper could be extended to include a variety of available advertising vehicles such as radio and television spots, magazine ads e.t.c., provided that information allowing enterprises and advertising agencies to quantify their relative effectiveness exists. Additional data concerning audience overlapping and advertising vehicles' effectiveness in addressing various market segments will produce even more valuable solutions. Local business bodies e.g. the chamber of commerce, advertising agencies or market research companies could initiate and finance research projects in order to refine and renew existing data and produce additional information in this respect.

Given that MS Excel provides decision-makers with extremely powerful tools capable of handling complex linear and non linear optimization problems, advertising expense allocation problems formulated in LP format can be easily handled, with no need of either specialised software or personnel, at almost no cost.

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POPULATION GROWTH AND MIGRATION PHENOMENON WITHIN THE E.U.

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Abstract:

Stylianos Drakopoulos: *Population growth and minigration phenomenon within the E.U.*

Population is directly related with the migration phenomenon and affects directly the economic growth and the social policy. There is a huge literature attempting to analyse and to estimate the effects from population growth and the relationship to economic growth and social development. This paper attempts to contribute on this matter. One of the main questions that will be addressed on this paper is how does economic development affect fertility choices and what are the main implications of population growth to economic development ? In particular, it will discuss the population growth in relation to migration and demographic phenomenon and also it will analyse the economic and social effects for the European member states.

JEL: O40

Keywords: Population growth, fertility, migration, economic growth.

1. Introduction

In my work about "Population Growth and Migration Phenomenon" I tried to give an overwiev about the development in these two chapters, right at the beginning. I made a chronically sequence, with the main focus on the second half of the 20th century and the near future.

On the one hand I want to show the economical facts of population enlargement and migration, on the other hand also the social viewpoints. During my search to find material for this subject I found an interesting work about the Migration policy, where I tried to summerise the main points.

The EU 15 and CEECs should be the second example of migration, which I concidered suitable at this part of the essay.

2. Population Growth

2.1 Population Development

The rapid population increase in the 19th century was followed by slower growth rates in the 20th century. From 1950 on the world"s population increased by 3 billion people, while Europe's share of world population declined from 16% to 9%.

The 1960s baby-boom (6 million births) was followed by a decrease from 13% to 15,4% of populations' elderly people. In the following years the population growth slowed a lot, in numbers: 2,1 to 1,7. The Western and Northern part of Europe grew 0,4% more slowly than Eastern and Southern Europe.

In 1988 life expectancy, the most representative indicator for human development, was 74,9 years, lowest rates occurred in Central and Eastern Europe. These countries have shown only a little increase in the past ten years. If we look back to 1980, we see that it increased annually by 0,2 years.

Fertility rates showed low levels in Southern Europe in 1980s. In comparison, the eastern Europe fertility rate declines more slowly than in Southern Europe.

Between 1985 and 1990 some regional growth rates increased from 0,3% to 0,5%, because of increased international migration towards Western and Northern Europe and decreased birth rate in Eastern and Southern Europe.

In the 1990s the world population increased more rapidly than ever before. 12,8% of all 6 billion people in the world were living in Europe, 351,6 millions in EU countries. 150 million people (2,5%) at this time were living outside of their country of origin, net migration was peaking in the EU with 1 million/years (conducted by a decline in the middle of the 90s and climbing afterwards again).

Table 1: Population change in the EU in 2000

	Population 1.1.2001	Live births	Deaths	Natural increase	Net migration	Total increase
	(1000)	**(per 1000 inhabitants)**				
EU-15	377.614	10.8	9.8	0.9	2.2	3.1
Belgium	10.267	11.1	10.1	1.0	2.0	3.0
Denmark	5.349	12.4	10.8	1.6	1.9	3.5
Germany	82.264	9.2	10.5	-1.2	2.4	1.2
Greece	10.570	9.8	9.9	-0.1	2.4	2.3
Spain	39.509	9.8	9.1	0.7	1.0	1.7
France	59.520	13.1	9.0	4.1	0.8	4.9
Ireland	3.827	14.6	8.0	6.5	6.6	13.1
Italy	57.876	9.7	9.8	-0.1	3.5	3.4
Luxembourg	443	13.0	8.5	4.6	11.4	16.0
Netherlands	15.982	13.0	8.8	4.1	3.3	7.4
Austria	8.116	9.7	9.5	0.2	1.4	1.7
Portugal	10.016	11.5	10.8	0.8	1.1	1.9
Finland	5.181	10.8	9.5	1.3	0.6	1.9
Sweden	8.880	10.1	10.6	-0.5	2.6	2.1
United Kingdom	59.817	11.4	10.5	0.9	2.3	3.2

Source: Eurostat

In 1997 Spain had the highest unemployment rate with 22%. In birth rates and natural growth there was a slight increase compared with 1995 and 1996. A slight drop is even predicted for the number of births for the following years.

In 1999 we had an EU population increase of 2,6% (70% due to net migration). Natural population growth was highest in Luxembourg (15%) and Ireland (10,7%), as a result of net migration, which is also the prime factor in France, Ireland, Netherlands and Finland. Negative rates in natural growth were registered in Germany, Italy, Sweden, Greece and Austria.

In the year 2000 less then 7% of mankind was located in Europe. The EU 15 were inhabited by 14 million people. Natural population growth was about 343.000, accompanied by 0,3% of population increase [highest rates in Luxembourg (1,6%), Ireland (1,3%) and Netherlands (0,7%), compared with lowest in Germany (0,1%)].

Table 2: Unemployment rates (%) in October and November 2000 in ascending order

	November	October		November	October
EU15	8.1	8.2	**Denmark**	:	**5.0**
Euro-zone	8.8	8.8	**Sweden**	5.6	**5.4**
			Germany	8.2	**8.2**
Luxembourg	2.1	2.1	**Belgium**	8.4	**8.5**
Netherlands	:	2.8	**France**	8.9	**9.1**
Austria	3.2	3.2	**Finland**	9.6	**9.6**
Portugal	4.1	4.1	**Spain**	13.6	**13.6**
Ireland	**4.1**	**4.2**			

Source: Eurostat

With 4,05 million life births the percentage was 1,3% higher than in 1999. Lowest birthrates occurend in Ireland (14,6 live births/1000 inhabitants), France (13,1), Luxembourg and the Netherlands (13), compared to the lowest in Germany (9,2) and Austria (9,7). Every country increased in birthrates in comparison with 1999, except Belgium (-0,1%), Germany (-0,7%), UK (-2,9%) and Finland (-3,1%). The number of deaths remained almost unchanged for 30 years, with 3,7 million in total EU.

The highest mortality rates occured in Denmark and Portugal (10,8/1000 inhabitants), the lowest in Ireland (8,0), Luxembourg (8,5) and Netherlands (8,8).

The average difference in life expectancy between male and female is 6,8 years.

The unemployment rate in the EU 15 is 8,1%, lowest rates occurred in Luxembourg (2,1%), Netherlands (2,8%) and Austria (3,2%), highest in Spain (13,6%). Relative falls in unemployment were recognized in Ireland (5,2% to 4,1%), France (from 10,7% to 8,9%) and Sweden (from 6,8% to 5,6%).

On the 1st of January 2001 Eurostat announced 377,6 million people in Europe. Until 2025 population is expected to grow more slowly. Furthermore, the

working population (20-64 years) will decline, while over 65-years age groups will continue to rise. Natural growth rates are forecasted to be high for Finland, France, Ireland and Netherlands, and negative for Denmark, Italy and Sweden.

For the year 2025 966,8 million people are expected to live in Europe, 6% of the whole world's population. In the following years the population-decline is expected to continue, and in 2050 no more than 4% of mankind will live in Europe.

2.2 Economical view

Population is the key element in human impact on environment. Many times population growth is ment to be the root cause of environmental problems, but interactions between population, economic development and environmental change are too complex to prove this. What's more, there is no linear relationship between population growth, density and environmental degradation.

Also distributional patterns, migration and living standards play a major role in the impact of population on natural resources and environment. Furthermore the impact of population growth underload with trends as mobility and urbanisation. Movement is cause and effect of environmental change.

With the increase in population goes along a greater demand on natural resources wordwide. The impact on environment depends on regional concentrations, population density, level of economic development, per capita consumption of natural resources.

Regional differences in income and living standards are responsible for different patterns of production and consumption.

The forecast for the next 10 years is a depopulation in Europe. For 2050 a number of inhabitants close to that of 19950 is estimated.

In addition to that, effects of market transition towards much older population were recognized in the first half of this century. First effects are already visible in retirement and health plans (Comission's demographic report 1997). When there are four person in the working population supporting one pensioneer now, in 2040 it will only be two. It will be difficult to meet increasing demands of state pension legislation. In workforce female participation is growing, while a fall in births is obvious.

2.3 Social view

Generally there are some basic and social freedoms:

- ability to bodily requirements,
- avoidance of starvation and undernurishment,
- escape preventable morbidity or premature mortality,
- choose one's abode,
- capability to participate in life of community,
- join public discussion,
- participate in political decisionmaking and
- appear in public without shame

Furthermore there is the Human development index (HDI) which incorporates most elementary capabilities:

- living a long and healthy life
- being knowledgeable
- enjoying decent standard of living

At the moment 40 mill. People are now living in 115 larger European cities, which means at least one polluted every year, according to WHO air quality guidelines (AQG).

In addition to that more than 39% of EU population lives in dwelling with significant exposure to road noise.

3. Migration

3.1 Migration Policy

In the last years a large number of third country nationals entered the European Union, further illegal immigration, smuggling and trafficking is expected. What's more, Member States began to recruit third country nationals from outside. As a consequence there must be a compromise between the facts that the Union can continue to resist migration pressures and that immigration will continue. This needs a proper regulation, a good cooperation of the Member States in order to maximize the positive effects of it. Furthermore the social conditions which migrants face, the attitudes of the host population and the presentation by political leaders of the benefits of iversity and of pluralistic societies are important for the success of immigration policies.

Art. 63 of the EC Treaty and the Tampere conclusions call for a common Eu policy, where it's essential to ensure transperency of actions, because they effect other areas of EU policy, e.g. abolition of controls at internal borders, Community commitments at international level under the GATS agreement and the European Employment strategy.

With the Treaty of Amsterdam, October 1999, the EC agreed that "The separate but closely related issues of asylum and migration call for the development of a common EU policy". The main points will be:

- partnership with countries of origin
- common European asylum system
- fair treatment of third country nationals
- management of migration flows

There is a close relation to the Integration policy (fair treatment of third country nationals residing legally in the Union and the promotion of diversity), as it provides the necessary means for a rapid integration of the migrant population into European society and aiming at controlling racism and xenophobia.

Immigration in the EU has three broad categories:

- Humanitarian considerations (asylum seekers, displaced persons, temporary protection).
- Family reunion (join migrants who are legally resident in a country).
- Immigration driven by economic and market forces (labour and business migrants; illegal immigration into EU counts about 500000 people/annum, employed as undeclared workers. Until now there has not been given sufficient attention to the role of third country nationals in the EU labour market).

The policy should be accompanied by long-term, comprehensive integration programs. Partnerships involving national, regional and local authorities and civil society will maximize positive effects in terms of employment, economic performance and social cohesion within a framework of rights and obligations. The Commission could encourage action at local and national level and the exchange of good practice. Under Belgian presidency results of migration debates are planned to be discussed, and in the meeting in Brussels on the end of 2001 a middle term review of the implementation of the Tampere programme will take place.

3.2 Development

Between 1960 and 1980 rural-to-urban migration was going on all around Europe, accompanied by an interregional migration stand still in the 1970s.

Since 1980 there is a polarisation between skilled and unskilled migrants. Furthermore internal migration is replaced by immigration from southern countries. In the countries Belgium, France, Germany, Netherlands, Sweden and Switzerland 50% of residents are non-European residents.

The peak of net migration was reached in 1992. Highest net migration numbers occurred in Luxembourg (11,4%) and Ireland (6,6%), the lowest in Finland (0,6%), France (0,8%) and Spain (1,0%), according to the publication in the year 2000. Negative figures arised in Germany, Greece, Italy and Sweden, which lead to a decline in population. More than half of the world's population lives in urban areas, in Europe this number equals 2/3 of all inhabitants. The share of urban population is expected to grow also in the next years.

3.3 Economic view

The response to international migration has gone through four phases:

- Before World War I immigrants were fresh source of labour. 1920s and 30s barriers came down, and immigrants who had no work were deported.

- After Word war II, with the years of economic boom, immigrants were accepted more readily, even recruited as "guest workers'. (Federal Republic of Germany and France engaged 2,5 mill. foreign workers, approx. 10 –12 % of their labour forces)

- After 1973 oil shock and recession the barriers were raised again and hardened ever since. Governments started to encourage guest workers to return home, new arrivals were allowed only for family reunion.

Generally governments welcome highly skilled professionals, but don't relish prospect of numbers of unskilled workers.

Together with immigrant workers, massive flows of refugees, the result of internal wars new states coming to terms with internal ethnic and political divisions, and asylum seekers are feared.

Since 1992 there is a willingness to recruit migrants with special skills, even in areas of high unemployment. Inside Europe long-term movements

from less developed to more prosperous regions are recognized.

Migrants generally have a positive effect on economic growth. The idea that migration contributes to unemployment is often not true, as migrants take the jobs, that remain unfilled even in areas of high unemployment.

Economic benefits may be more positive with highly qualified migrants because they meet skills needed more then low qualified ones, competing with national workers for jobs.

In lower skilled sectors, the largest number of undocumented migrants find employment, but wages undercut the local workforce. Conditions like these may lead to social unrest and exploitation.

More labour from poor countries to rich will make better use of global resources and add to global income.

Some people are nervous, that immigrants steal their job. Immigrants add to the population size and to the number of job seekers, but there's little connection with population size. Immigrants don't substitute local workers, but complement them. Often they are forced to do their work "dirty, dangerous, difficult", which locals refuse.

Economic development is likely to accelerate emigration, as it causes social disruption, drives people from countryside to cities, gives greater cash income and money to travel overseas. Migration pressures seem to increase as poor people in developing countries look in despiration for word overseas.

Only when development offers sufficient incentrive to stay at home will emigration fall. Better economic prospects at home will stauch flows (as Spain and Italy happened, switched with being countries of net immigration).

3.4 Urbanisation

Urbanisation is closely linked to economic growth. The largest urban populations are usually located in largest economics. The higher the per capita income of a country, the higher the level of urbanisation. Lowest income nations are least urbanized.

As cities grow rapidly they attract a large number of migrants. All economic, social, political changes underly rapid growth. Economic change dominant influence on urbanisation and size of cities. The increase in proportion of population reflects increase in size of economy increasing important urban-based manufacturing and services. Difference in stages of ur-

banisation: Western European countries have reached stabilisation. Southern and east rural-to-urban migration is still important.

Urban problems are mostly failure of governments and aid agencies to develop appropriate policies.

3.5 Social view

Immigrants bring lot of own culture, lifestyle and language with them. Those who speak some of the local language have naturally a better chance of getting a job. Usually there is also some official help (e.g. 240 hours of Swedish provided, paid for by the state). With a couple of generations, immigrant communities' first language is the language of host country.

Even if immigrants struggle, their children pick up the language quickly and so act as interpreters at doctors and public services. What's more, children who are fluently bilingual do better in school. On the contrary migrant population show higher rate of school-drop-out than indigenous population.

3.6 Poverty

Poverty is mainly linked to high birth rate and low life expectancy. There are the three important indicators: fertility, life expectancy, living standards.

The number of people living in poverty varies substantially from country to country because of differences in customs and living habits, it drives people from developing to industrialized countries.

In the Netherlands and France 42% of young people risk to cross poverty line. In Sweden and Ireland it's only 13%, because large family households.

3.7 The EU 15 and CEES

Per capita incomes and wages differ considerably between EU 15 and CEECs. Integration will provide gains for all countries.

Eastern enlargement may have negative effects upon unskilled labour in EU 15, though increasing imports of labour intensive goods, immigration of labour, relocation of production to CEECs.

The present volume of trade migration between EU and CEECs is small. Results of Eastern Enlargement will be mainly at structural level.

Special attention will be given to implication of a removal of restrictions to

labour mobility. Immigration of unskilled labour would increase production while wages remain the same. Labour mobility is necessary to evaluate labour market consequences of removing barriers of trade. Migration of labour for certain economic, institutional, social and cultural reasons will be rather costly.

An assessment of development of trade and factor mobility between EU and CEECs is needed. Migration of labour can only affect relative income and employment of domestic factors when production does not expand elastically, it can be neutral for wages and employment of nationals. An analysis of branch patterns of migrant employment and on estimation of actual wage is necessary to assess the impact of migration.

4. Conclusions

Population growth is closely related to the factors of demand, production and supply and furthermore to distribution of income, and the conditions of quality of life. Today, the "population burden" is a "common characteristic" for developing and mainly the less developed countries. There is a close relationship between demographically experienced in developed countries in the past and the currently being experienced in developing countries. This paper attempted to analyse the relationship between population growth and economic development. Of course, to conclude in more safety results it's necessary to carry out a more detailed analysis with an estimation of all socio-economic impact.

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