# INTERNATIONAL ECONOMIC THEORIES AND EDUCATIONAL REFORM IN GREECE (1976-77)

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Abstract – *In this article I will try to demonstrate that the rift between Greek political parties concerning problems in educational reform in the period 1976-77 was created to a great extent by different interpretations of the new international economic theories which were being expounded in the 70's. During the period of transition from a military regime (1974) to the consolidation of democracy (1981), revolutionary and radical political ideas flourished. The neo-Marxist theory of economics and the theory of dependence had a great influence on Greek political thought. The model of 'modernization' had been called into question by the Left political parties. The problem was not the issue of development but the kind of development. This lack of agreement not only set limits to the possibilities of successful educational reform in Greece but also posed new questions about the role of education in economic development. The discussion on development and education will be correlated with the changes that were taking place in economy, due to the fact that throughout history education has always been closely allied with productivity, either directly or indirectly.*

## Introduction

International interest in the conditions of the poor countries in the decades following World War II brought the concept of development to the attention of administrators and policy makers. The modern theory of development dates back to the end of the Second World War. Interest in the problem of development was growing because several European countries were facing serious problems with their economy. Furthermore, a number of European colonies in Asia and Africa had begun their struggle towards political independence. The beginning of the modern development theory concerning the poor countries should be seen in the light of the development of the economic discipline (Blomstrom & Hettne, 1984) According to these authors we can identify four distinct phases in the history of economic thought: the classical, the neo-classical, the Keynesian and the development of the Marxist theory.

## Neo-classical economic theories and human capital theory

One of the most important neo-classical economic theories, Solow's model, formed the corner stone of the theory of economic convergence between rich and poor countries. According to this theory, the poor countries could rise from poverty if they increased their capital per head and thus were enabled to converge with the rich countries. Industrialization and capital formation would be the key factors in economic and social growth (Cypher & Dietz, 1997, Lucas, 1988).

One of the key factors towards achieving this goal is human capital. The increase and the improvement of the quality of the human capital have a significant influence on economic growth in a number of ways: First, it increases productivity, as well as increasing the pool of knowledge and the level of technology. The human capital therefore, combined with a quantitative increase and qualitative improvement, will have a direct bearing on productivity. Expenses that are an integral part of human capital such as education, health care and occupational training become an investment, playing a positive role in the social qualitative improvement. A decline in criminal activity, the development of an ecological conscience, as well as a growth in political participation would be the positive consequences of this investment. On a second level, and as a result of all these factors, is the positive economic environment which creates a favorable climate for business activity and gives an impulse to the economic growth of the country (Schultz, 1963, 1971).

For all the reasons mentioned so far, the discussion on development and education has been correlated with the changes in economy. According to the 'Human capital' theory, education is also an individually and socially productive investment. Laborers can be considered capitalists on account of their investment in the acquisition of knowledge and skill, which has given them ownership of economically valuable capacities. The 'human capital' theory brings basic social institutions (such as schooling and the family), previously related to the purely cultural, into the realm of economic analysis (Bowles & Gintis, 1975).

According to this theory, every worker is a capitalist and the most important capital for every country is the human capital. It follows that education performs a vital function within the school system which carries out economically relevant activities related to screening as well as preordaining worker productivity (Schultz, 1963, 1982). Many countries came to adopt the view that schooling, occupational training, child rearing and healthcare perform dual economic functions and play an essential if indirect role in production.

## Human capital and the Greek economy

Amongst these countries was Greece. In Greece people at all points of the political spectrum agreed about the economic value of education and supported the extension of the educational system. The economic literature on 'Human Capital' was full of articles appraising the economic value of education (Zolotas, 1966, 1966, 1973). During the period 1950-70 the establishment of technical and vocational education in Greece was one of the most interesting changes connected with the theory of human capital and development. In addition, there was agreement among the political parties about the theory of human capital and about the role of the educational system in the economy. X. Zolotas, director of the Bank of Greece began his famous book: 'The Economic Development and Technical Education' with a strong argument that: education is an investment and this investment would prove more useful than all other investments. (Zolotas, 1966)

Moreover, Niki Dendrinou Antonakaki of the National Radical Union (ERE) political party and E. Papanoutsos of the Union Center (E.K) political party, agreed that the development of the educational system would contribute to the development of the economy (Dedrinou-Antonacaki, 1959, 1959, Papanoutsos, 1960, 1976).

But the development of the Greek economy during the 20th century, in particular from the end of the civil war until 1980, was not satisfactory. Average income per head was low, unemployment and underemployment were extensive and the disparities in the standard of living between Athens and the rest of the country were considerable. A combination of factors had caused Greece to be worried about the quality of its manpower. It was conscious that labor productivity was low, that many workers were underemployed, that regional development was hampered by a lack of skilled workers (Babanacis, 1981, 122) Taking the above factors into consideration, the importance of education, particularly scientific and technical, for economic progress was recognized by all the political parties. To this end an attempt was made to define the major educational goals necessitated by the economic development plans. The strategy proposed was threefold: first, to try to match the output of the various levels and branches of the education system to the anticipated needs of the market; second, to prepare as many young people as possible for direct transition from school to a job; third, to discourage the rush for university admission by according vocational and technical education a higher status in the public esteem (Kazamias, 1978).

The post-World War II history of Greek education has been marked by efforts at reform with these strategies in mind. The main concern of the government was to modernize the educational system and make it more efficient, working within a policy framework which was based on the belief that education must take into

account the techno-economic needs of society. Underlying this approach, according to Kazamias, there was the assumption that the expansion and improvement of the quality of education, particularly of technical and vocational schooling, promotes economic development without the necessity of making substantial changes in the socio-economic structure. Such a developmental reformist conception of education was not limited to Greek policy makers (Kazamias, 1978).

## The educational reform in Greece 1976-77 and dependency theory

One of the most important educational reforms was that of 1976-77. The political debates concerning educational changes went hand in hand with discussions about the problem of development in Greece. The main problem was the kind of economic development, argued most vociferously by the left political parties of the socialists (PASOK) and communists (KKE). Until 1970 development had been understood from an evolutionary perspective. Industrialization, increasing the export of primary products and the improvement of human capital by educational reform, was the solution for development. The main conceptual approach of the government of New Democracy (1974-1981) was the economist notions and assumptions of the development value of education, especially of technical and vocational schooling and of education as investment in human capital.

In their view, school has the potential of ensuring progress, social stability and social welfare, as well as of increasing economic wealth and development. (Ralles, 1976). To serve this purpose the main concern of the government was to modernize the educational system and make it more efficient and relevant to the needs of the labor market. In reality this involved efforts to develop the technical and vocational education sector (Contogiannopoulos, 1977).

> 'At the same time, the country had to prepare to face stern competition within the EEC and to ensure that the qualifications of its workers were efficiently correlated to the labor market, as in the case of the workers of the other nine countries. A major purpose of the reform of 1977 was thus to close the gap between education and the labor market. The strategy of development was linked with the quality of manpower, because the economic growth was linked with industrialization (Institute of Economic and Industrial Research, 1979). However, the political parties were not in agreement on that point. The opposition parties of the left (PASOK and KKE) criticized the 'developmental logic' of the government. The most important feature of this school of thought was the link between the

> economy and the establishment of vocational and technical education. The socialists and the communists supported that the intent of the policy to divert the majority of students into technical and vocational education was 'to create many skilled workmen to operate a multi national and foreign industry'. (Koutsoheras, 1977, Gontikas, 1977).

Furthermore, the selection at the age of 15 to General Lyceum or to Technical and Vocational Education was, as a member of KKE added: 'to ensure the supply of cheap and specialized labor for employers' (Florakes, 1976).

According to them, the basic intention of reform was not the development of the autonomy economy but the development of a dependence economy. Socialists of PASOK and Communists of KKE believed that there was a relationship between a dependence capitalist economy in Greece and the development of technical and vocational education. These institutions were set up to train manpower for the purpose of the development of foreign countries, because the Greek economy had become 'deformed' and followed asymmetrical development. On the ideological front, apart from the theories of development and of human capital, the most prevalent in Greece in the period 1950-70, another theory, that of dependence, made its appearance in the decades of the 70's and 80's, especially from within the ranks of the Left Political Parties, the socialists (PASOK) and the communists (KKE).

According to this theory, the nature of the Greek State and the nature of the Greek socio-economic structural dimension in the second half of the 20th century was on the periphery of capitalism. The distinction between developed and underdeveloped countries as well as the difference between 'metropolis' and 'periphery' was the basic theoretical overview of Socialist (PASOK) and Communist (KKE) politics. These political parties criticized sharply the reforms of New Democracy and gave rise to much controversy connected with the economic character of education and the theory of 'human capital'. There was much rhetoric about the development value of education, especially of technical and vocational schooling. On the other hand the same reforms in 1964-65, with the same ideology and emphasis on the economic value of education had been accepted by all the political parties. (Kazamias, 1990).

This phenomenon is connected with the character of Greek politics and the deformed character of Greek socio-economic formation in the 70's. The transition from a military regime to democracy created an entirely new situation in political thought. The Government of New Democracy and the prime minister, Karamanlis, had been in active complicity with the restrictive legislation that had marred Greek politics ever since the Civil War. He undoubtedly restored many civil liberties that had been absent since the Civil War and most significantly he ended the proscription of the Communist party. On the other side, after the junta period, in

Greece, revolutionary and radical political ideas were being freely expressed. The belief of opposition parties that the target of N.D. politics and especially education policy was to further the interests of rich countries and that there was a relationship between the economic interests of these countries and the manpower training, set limits to the possibilities of successful education reform. The political party of PASOK and especially the leader of the political movement Andreas Papandreou, described the economic situation of Greece as a consequence of exploitation by the metropolis of the periphery (Amin, 1980). According to this theory, Greece was a country of on the periphery (like Syria or Livanos) and she had an underdeveloped economy. Many Greek socialist authors supported that the Greek economy had, until the late 70's, the classical characteristics of underdevelopment (Fotopoulos, 1985; Evangelinides, 1980, Mouzelis, 1973).

> 'According to these authors, the Greek economy was characterized by a technologically advanced, highly dynamic, foreign-controlled manufacturing sector, enjoying enormous privileges granted to it by the Greek State, and not being organically linked with the rest of the economy so that the beneficial effects of its growth were not sufficiently diffused over the small commodity agricultural and artisan sector but were to a large extent transferred abroad. Greek private capital, following its preference for quick and easy profits, had continued to orient itself towards tourism, shipping, services and others activities. At the same time the industrial production was concentrated in the traditional industrial branches of textiles, food, and so on'. (Fotopoulos, 1985, Mouzelis, 1978)

In the industrial sector the key dynamic industries were controlled by foreign capital, leaving the traditional branches of textiles, tobacco and agro-industries to domestic capital and control (Scorpia-Hoipel, 1979).

During the military regime the policy of International Agencies and World Bank in Greece had emphasized the development of economy but they had little relevance to the problems of the Greek economy (Vergidis, 1982). Consequently, the problems such as low industrial production and the problems of low absorption of the labor market had not been properly examined. The model of 'modernization' which was based on the model of industrial countries linked development in education with development of the economy and didn't argue the international dimension of the labour market, the inequalities in social economy and the political content. In the year 1972-75 the Greek economy was closely dependent on the European Continent as 57,8 per cent of its imports came from Europe. Moreover, 50 per cent of its total exports went to EEC countries. According to Evagelinides (1980), due to the fact that Greece was heavily dependent on capital and intermediate goods from the European core-countries,

its balance of trade deficit was increasing. From $248,7 million in 1958 it rose to $ 2.916,1 million in 1975. The financing of this deficit occurred in 'invisible' items of the balance of payments through the import of capital and aid that took different forms (private capital, emigrant remittances as well as other private entrepreneurial capital, bank loans, government loans, foreign travel. All the above activities, contributed to a national socio-economic structure characterised by a combination of the underdevelopment phenomena while at the same time depriving the country of its most dynamic and productive human resources. (Evangelinides, 1980). According to such authors these features of the Greek economy are characteristic of other countries of the European periphery, such as Spain and Portugal and the countries of Latin America. (Evangelinides, 1980).

## Dependency theories

The intellectual context for the emergence of the dependency theory was created by Latin American economists, notably Prebish and his colleagues at the United Nations Economic Commission for Latin America (Prebisch, 1950) who argued that the region's reliance on the export of primary commodities was not, as was then believed, providing the stimulus for economic growth. Instead of mobilizing capital for development, export prices had stagnated and, faced with the continued importation of manufactured goods from the industrial countries, the trade deficit had increased. This the ECLA economists attributed to the purposeful manipulation of commodity prices by industrialists in the rich countries. Faced with rising labour costs in their own countries, they depressed the cost of raw materials to maintain a comparative advantage (Cardoso, 1972).

These ideas were well received by the great majority of Latin American social scientists, most of whom had been schooled in what O'Brien (1973) described as an anti-imperialist and anti-Marxist intellectual tradition. However, according to Hardiman & Midgley (1988), the central ideas of the ECLA economists were soon reformulated and developed into the now familiar theory of dependency. By the 1960's, many proponents of the new approach believed that the role of foreign capital in the creation of new industries had increased the dependence. Among the leading proponents of the dependency school were Furtado (1963), Sunkel (1969), Cardoso (1972), Dos Santos (1970) and Frank (1967, 1969). These authors succeeded in displacing the modernization school from its position of unrivalled supremacy in academic circles and in drawing attention to the problems of international inequality and unequal trade which subsequently became a major issue in development policy. But as Hardiman & Midgley claimed, not all

dependency theorists have been pleased about the adoption of their ideas in United Nations resolutions and declarations on this subject or by the Word Bank and other agencies, which they regard as instruments of international capitalism ( Hardiman & Midgley, 1988).

The supporters of the theory agreed that the analysis of the causes of underdevelopment cannot be undertaken at the national level, on account of its being a product of the unequal relationships between different economies. The meaning of dependency was defined by T. Dos Santos in the following words:

> 'By dependence we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of interdependence between two or more economies and between these and world trade, assumes the form of dependence when some countries (the Dominant ones) can expand and can be self sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development. The productive system in the underdeveloped countries is essentially determined by these international relations. In the first place, the need to conserve the agrarian or mining export structure generates a combination between more advanced economic centers that extract surplus value from the more backward sectors and also between internal 'metropolitan' centers and internal interdependent 'colonial' centers. The unequal and combined character of capitalist development at the international level is reproduced internally in an acute form. In the second place the industrial and technological structure responds more closely to the interests of the multinational corporations than to internal developmental need' (T. Dos Santos, 1970, p. 231).

The conclusion drawn by Hardiman & Midgley is that dependency theorists view underdevelopment not as an original, passive condition but as the result of a historical process which expropriated the wealth of the subjugated satellite countries of what Prebisch had originally called the 'periphery' to provide the resources for the industrialization of the metropolitan countries of the 'centre' (Prebisch, 1950).

Cooperation with the developed countries would not thus constitute a step towards development but, as Frank argued, would be 'the development of underdevelopment' (Frank, 1967). The kind of development was the basic problem of poor countries. Raul Prebisch and Celso Furtado, two veterans of Latin American development economics, argued that although industrialization had been initiated in the more industrialized countries of Latin America, it did not automatically continue by itself and the economic growth had not the same results

as those in developed countries. According to a report of the ECLA on the social situation in Latin America published in the 1960's the picture of development was pessimistic: on the one hand industrialization and growth and on the other unemployment and marginalization (Blomstrom & Hettne, 1984).

In addition, Osvaldo Sunkel argued that: 'Underdevelopment should rather be thought of as part of the global historical process of development. Underdevelopment and development are two sides of the same universal process. …their geographic expression is manifested in two polarizations: first the polarization of the world between the rich industrialized and developed nations on the one hand and the underdeveloped backward, poor, peripheral and dependent nations on the other; secondly, the internal polarization between advanced, modern industries and the so called 'traditional sector' (Blomstrom & Hettne, 1984, p.50).

According to the above, the theory of dependence was the intellectual framework of the left political parties in Greece (PASOK and KKE). They linked development with the benefits of multi-national industries and they believed also that there was a relationship between dependence capitalist economy in Greece and development of technical and vocational education. The idea of an 'autonomy' development and the cooperation with the other countries of the periphery was put forward. We must also add that there were important differences between the traditional Marxist thinking of the KKE and the socialist thinking of PASOK. The traditional Marxist approach focused on the concept of development, according to which the analysis of the development of a society must begin with the process of production and the relations of production. The conflict between the forces and the relations of production is the reason for all historical changes.

According to Marx, the less developed countries would develop a more autonomous kind of capitalism. Marx did not believe in a continued expansion of European imperialism, but in order to reach a state of socialism all societies, including the less developed ones, were required to pass the various stages of capitalist development.

Furthermore, there was no difference between the kind of capitalism developed in the colonies and the kind developed in Europe. The industrially more developed country shows the less developed one merely an image of its own future (Blomstrom & Hettne, 1984).

Another approach to the subject of development of poor countries was Lenin's approach. Lenin argued that in the progression of capitalism in the less developed countries the colonial ties to the mother country would be broken and those countries would also become politically independent (Blomstrom & Hettne, 1984).

Greek traditional Marxists believe that in the case of underdeveloped countries the reasons for underdevelopment were related to the conditions of production and not to the relations established by trade between the industrial countries and those of the third world. On the other hand the socialists of PASOK argued that the conflict between rich and poor countries would be the reason for underdevelopment and only the cooperation with other poor countries with common benefits would be the solution. Nevertheless, both the political parties supported a more self-rule – 'autonomous' Greek economy.

**Conclusion**

Although the lack of agreement between the government and the other political parties created obstacles to the possibilities of successful educational reform and especially to the success of the 'developmental logic' in Greece during the period 1976-77, the underdevelopment debate tackled important issues. Firstly, the left political parties of the PASOK and KKE challenged the theory of development stressing the differences between the rich and poor countries. Secondly, they focused on the kind of development and the relations between rich and poor countries and thirdly, they linked the establishment of technical and vocational education with the position of Greece in the international diversion of the labour market. For these reasons the political debate of this period had a great influence on all others posterior educational reforms.

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