CHAPTER 12.

REMITTANCES AND DEVELOPMENT: THE CASE OF GREECE

by

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Introduction

Remittances impact on the economy in two basic ways: in the form of foreign exchange they alleviate the balance of payments burden and pay for imports, while in the form of local currency they increase demand for consumption goods and investment. Both functions are very important for poor or developing countries with high rates of emigration, which more often than not have chronic problems in their international transactions and deficiencies in their productive investment activity. In cases where remittances represent significant proportions of the financial resources of a country, there are high expectations that this voluminous and often continuous source of funds will change the recipient economy, pulling it to higher levels of development and growth. Governments count on these resources to fill the vacuum of their inadequacies and their incompetence in adopting effective structural policies that would make their countries competitive and bring economic well-being to their citizens. Consequently, the concern of all governments is first, how to attract more remittances and second, how to motivate migrants or relatives to dispose as high a proportion of these remittances as possible to productive investment and as little as possible to consumption and imports. The efforts for attaining the former aim have the double purpose of raising remittances for covering the balance of payments deficit, and at the same time stimulating domestic demand, whereas the motivation to invest is concentrated on augmenting the productive capacity of the economy.

On these lines, this chapter focuses on Greece, and has three objectives: to discuss how capable are policies for attracting more remittances; to see whether and to what extent remitters or remittance receivers were convinced and motivated to invest their savings in productive activities, and to investigate how the spending of remittances, in whatever way they are spent by recipients, contributed directly and indirectly to growth and development in Greece. It should be noted that Greece is now a historical, not a current case, given that emigration has practically come to a standstill and the number of Greek immigrants in Europe and elsewhere is stabilised. It is interesting though that even today workers' remittances, although declining, continue to flow at an average annual rate of about USD 1 billion.

Factors and policies attracting remittances to the country

Size and relative significance of remittances

During the period 1965-75, remittances were continuously rising, from USD 207 million to USD 782 million, representing about 57% of the export revenue. From then on, although remittances in nominal terms were rising, reaching in 1980 USD 1 billion, their relative importance as foreign exchange diminished, representing in 1980, 26% of export revenue. In the second half of the 1980s, remittances started to increase again and they had tripled (USD 3 billion) in nominal terms, in 1995 (the peak year for remittances in that period), regaining their relative importance, reaching 52% of exports. Then, remittances started to decline every year to return to the 1980 level in 2002, while their relative significance decreased to 12.9% of exports (Table 12.1).

What makes migrants remit and change their transfers?

Setting aside the various theories that explain the motivation to remit, the bottom line is that migrants send remittances back to the home country either to help family members that stay behind, or for saving and investment. The former can be considered either as a gift or as an obligation, depending on the actual conditions of individual migrants and their families, whereas saving and investment are motivated by hard economic facts that determine the relative return to saving and investment between home and host country, but they are also affected by political stability in the home country. As a result of these motivations to remit, the actual size of remittances consists of an autonomous component that reflects the voluntary form of remittances, which is largely unaffected by economic motives and policies, and an induced component of remittances, that is determined by objective economic conditions and policy incentives. Which component is higher depends on microeconomic and macroeconomic factors prevailing at specific periods in the home and host countries, as well as on the nature and the form of migration, and their changes over time.

As the status of Greek migrants in West Germany was changing over time, shifting from temporary stays to permanence and family reunification, remitting behaviour has been observed to have changed too, acquiring the traits of the non-obligatory attitudes akin to the phase of permanent migration (Glytsos, 1997). This transformation of the nature of migration is expected to raise the part of remittances that are transferred for the purpose of reaping market economic gains and reduce the amount per migrant, which may be reflected in the total size of remittances. This seems to be the case for Greece, given that during the period 1980-85, the flow of remittances decreased. Furthermore, certain studies for the longer period 1960-1993 indicate the changing remitting attitude from obligation to altruism, or to business orientation (Glytsos, 1997; Lianos, 1997). This is supported by evidence found elsewhere in respect to the different remitting behaviour of temporary and permanent migrants, suggesting that temporary migrants remitted much more than permanent migrants (Merkle and Zimmermann, 1992).

Turning to macroeconomic factors, from 1968-1981, which is the period during which emigration and the repatriation of Greeks to and from Germany was intensive, the nominal interest rates for time deposits of foreign exchange ranged between 5.5 and 13%. Correspondingly, the deposits of migrants and merchant marines increased from

42 million drachmas to 160 133 million drachmas in nominal terms and from 168 million drachmas to 128 621 million drachmas at constant 1980 prices. Between 1975 and 1979, in particular, when the interest rate in Greece was higher than in Germany, more deposits were probably attracted to Greece. This is not however a valid argument for the whole period, given that in the face of relatively higher German interest rates in other years, deposits were rising in Greece. In fact, econometric estimates using data from the Greek-German migration of the period 1960-1982, show a neutral Greek nominal interest rate, demonstrating no impact on remittances. The same econometric analysis shows that remittances are motivated by per capita income in Greece (as a proxy for the migrant family income), satisfying the conditions of the implicit contract model of remittance determination (Glytsos, 1988a, 2001). The rate of inflation, expressing economic and possibly political instability, was found to affect remittances negatively, probably neutralising the impact of nominal interest rates.

The perceived view is that the extent of home banking facilities to cities and towns with numerous Greek migrants has indeed contributed to the rise of remittances. This has to do with the reinforcement of confidence in migrants about the security of their transfers and the lower cost of transmitting remittances, compared with some other alternative (*e.g.* Western Union) or unofficial routes of transmission.[1] Several Greek banks have opened branches in places in the host countries with high concentrations of Greeks. By 1990, Greece had 26 bank branches in Germany and 15 in the United States (Karafolas, 2001). Naturally, these banks weren't there simply for the transfer of remittances, but also to offer other banking services to Greek migrants, including deposits and extending finance to the Greeks for entrepreneurial activity.

This banking expansion took place during the 1970s, a period with high migration and accumulation of Greeks especially in Germany, but it continued in the 1980s and 1990s. The number of units of Greek banks operating in that country increased from only two in 1965, to 17 in 1980, and 26 in 1990, ending up with 27 branches or offices in 1994, scattered around in 12 cities and towns with a high concentration of Greek migrants. The situation was similar with new Greek banks in the United States, with 21 banking units in eight towns in 1994 (Karafolas, 2001). Increased remittances through the Greek bank branches abroad was partly the result of diversification from other transmission channels, such as the post office, that charged a relatively higher fee for transmitting remittances. The role of home country banks to host countries in increasing remittances is also supported by evidence from Portuguese and Philippine banking facilities in several European countries (*ibid.*).

Among Greek banks abroad was the National Mortgage Bank of Greece, specialising in accepting deposits and providing credit for the purchase of houses in Greece. This bank created a network of representative offices abroad to receive deposits of Greek migrants, on the basis of which they could in time borrow a multiple amount in Greece to buy real estate. The special deposits were rising considerably at constant prices up until 1979 (almost doubled since 1972), after which they started to fall (almost cut in half) in 1982. This banking network has contributed greatly in the transfer of remittances to Greece. In 1966, 61.6% of its depositors were from abroad. The proportion peaked to 85.3% in 1970, and then declined to 60% in 1983 (National Mortgage Bank of Greece, *Annual Reports*).

1. For the role, the significance and the consequences of official and unofficial channels of remittance transmission in general see, for instance, Glytsos (2004) and Glytsos and Lianos (2005).

Policies for increasing remittances

Policies that have been applied in various countries, perhaps in different forms, for attracting more remittances, include own exchange imports, special bonds, special deposits etc.[2] Such measures were not generally very successful, except perhaps the increase in the foreign exchange rate (devaluation of home currency) for certain countries. But even in this case, it was not so much that migrants sent more money; simply, they were motivated to change the channels of transmission from the black market, where they were getting a high premium on the exchange rate, towards the official channels when this became profitable, considering not only the value of the exchange rate, but also the safety and the cost of transmission. This seems to have worked in countries belonging to the MENA region (Middle East and North Africa), where the difference in the exchange rate between the black and official markets was significant.

The response to such policies may have a limited success, possibly because migrants are usually risk averse, counting greatly on the security of their money rather than in getting some higher gain, without being assured on what comes next, if the prevailing conditions in their home country are politically unpredictable and economically unstable. For instance in Turkey, factors that have to do with economic and political stability rather than simply economic incentives were found to be more convincing to migrants (Straubhaar, 1986). Between policies for raising remittance flows and policies for channelling remittances to productive investment, the objective of the Greek government was at the time to increase remittances to counter the chronic balance of payments deficit, rather than motivating migrants to invest their savings. In fact, government has been criticised for the lack of such an effort to direct remittances to productive investment.

Evidence shows that in late 1970s, more than half of Greek migrants in Germany deposited their savings in Germany, and only a quarter in Greece. The rest divided their saving between banks in both countries. By the mid-1970s, when it was realised that emigration had been excessively high and some signs of a demographic deterioration started to appear, the Greek government adopted policies for repatriation, which if successful, would in any case increase the transfer of migrant savings to Greece. Judging from the kind of measures applied, it is evident that the purpose was, apart from the repatriation of people themselves, to gain foreign exchange rather than to stimulate direct investment of the transferred money. This seems to be the case, since the policies applied included sizable tax allowances and import duties on consumer durables, especially automobiles – very heavily taxed in Greece at that time – brought by returning migrants. In addition, special credit provisions and tax allowances were offered for the purchase of assets and land, if paid in imported foreign exchange (Glytsos and Katseli, 2005). This policy was up to a point fairly successful for attracting more remittances (Glytsos, 1991). Since the late 1980s, the conversion of remittances into local currency had increased as a result of the liberalisation of foreign exchange in Greece, which allowed the opening of accounts in converted drachmas, simultaneously with the increase in interest rates and tax allowances for deposits in foreign currencies converted into drachmas (Karafolas, 2001).

Policies for attracting remittances to investment

It should be recalled that the measures taken with the primary aim of motivating migrants to return for demographic reasons, as noted above, necessarily affected

2. For a detailed account of measures on remittances see Garson (1994).

remittances, given that the migrants would return along with their savings. Policies of this kind took particular attention of the fact that many returning migrants, who had emigrated abroad from the periphery and the rural areas, were settling in the cities, mainly Athens (Attica Region) and Thessaloniki (Central Macedonia region), and were using their savings in the place of their settlement (Figure 12.1). To contain this tendency, and hoping for the development of entrepreneurial activity by returnees in the periphery, the government subsidised settlement in the countryside, offering a lump sum and a monthly allowance for children attending vocational training and adjustment tutorials. To facilitate repatriation in general – irrespective of the place of settlement – special programmes of education and training were designed (in 1993/94, 24 such programmes were running), and provisions were made for the education of second generation children. The repatriation was also assisted by a number of institutions, established specifically for this purpose, some of them by non-governmental organisations (NGO), including special offices in the Greek IOM (International Office for Migration) and the government employment offices (Glytsos, 1995).

It is in a way ironic that many more Greeks returned home during the period 1976-80, that is, before all these measures were introduced — than as a result of these measures, which were considered not very effective in mobilising migrants (Petropoulos *et al.,* 1992). This suggests that what made migrants return were objective factors rather than policies, including the economic recession in host countries and the return of democracy in Greece after seven years of dictatorship, or even the attainment of the goals of the target migrants. Some measures, such as the provision of tax allowances for deposits to be used for buying houses, discussed earlier, although attracting more remittances, were not in fact perceived as incentives for mobilising remittances to productive investment. It is obvious that, apart from inducing more migrants to return, the policy was motivated by the need to acquire foreign exchange for the alleviation of the ailing balance of payments and not for channelling remittances to investment for future production, unless this policy was aimed (and I doubt it was the case) at indirect investment generated by the purchase of estate.

Direct policies were however adopted to encourage migrants to co-operate amongst themselves and to invest their savings. Apart from convincing migrants to channel their savings to production *per se*, the aim was to motivate them to take the responsibility for the management of this investment. One such policy concerned the establishment and support of production co-operatives in regions with high emigration. This policy was at the time judged inadequate and ineffective with little results. Thus, during the period 1975-80, only five such co-operatives were created, engaging 311 returnees (Glytsos, 1995). Given this unsatisfactory outcome, the government decided in 1982, and later in 1987, to initiate stronger incentives that were jointly expected to increase remittance flows and channel more remittances to productive investment. For this purpose, the government extended to migrants the privileges applied to co-operative enterprises and the enterprises of municipalities. They offered, in effect, higher subsidisation and more attractive tax and depreciation allowances, as well as a shorter bureaucratic procedure for approving investment projects financed out of migrant savings. These measures, aiming at the creation of companies by migrants were considered as unsuccessful (Fakiolas, 1994).

Advising and consulting for migrant investment *per se* did not exist in Greece in an organised way, but migrants had the opportunity to ask for advice and guidance at the office for the promotion of investment (Ministry of the National Economy), established by the government in 1987, addressed to prospective investors. In addition, a European centre of information, as well as industry-specific centres with the objective of consulting and guiding small and medium-sized enterprises (SME) were accessible to migrants. Only the Agricultural Bank of Greece, a state bank, had a special service providing technical and financial assistance for the promotion of investment in agriculture by migrants (Glytsos, 1995). From a combination of sources indicating how remittances are spent by recipients, it is estimated that during the peak period of migration, about 63% was spent on consumption; 22% on housing; 7% on agricultural land; 4% on investment in trade and 3.5% on machinery (Glytsos, 1993). With respect to direct investment, data show that from 1982 to 1984, 81 projects were submitted to the Greek government by migrants to take advantage of the various investment incentives. The total amount of investment of these projects, USD 45.8 million, represented 1.6% of total remittances and 6.4% of all investment submitted for approval to the Greek government. Then, between 1982 and 1987, 394 investment projects, amounting to USD 11.8 million, representing 3.6% of remittances and 5.8% of all investment projects, were submitted by migrants.

The sectoral distribution of this investment was as follows: 64.2% in the tertiary sector, mostly in tourism, 27.2% in the secondary sector and 8.6% in the primary sector. The investment in tourism favored mostly the east part of Greece, the Aegean Islands, Peloponnessos, Western Greece, East Macedonia and Crete. It is interesting that regions with heavy emigration, such as Thrace and Macedonia, received only 22.3% of migrant investment, which suggests that the investment was not taking place of origin of the migrant, but in other areas, often within the same prefecture or adjacent prefectures (Kontis, 1990). Overall, in respect to the mobilisation of remittances for productive purposes, the evidence shows a very limited success of direct investment by migrants or recipients. The effectiveness of the adoption of appropriate macroeconomic policies for channelling saved remittances in a way of promoting is also limited. Policies for attracting remittances to investment are not effective in other countries either. For instance, evidence from Turkey testifies to the fact that remittances are not used directly for investment, but for the immediate needs of recipients (Straubhaar, 1986). Growth may be forthcoming therefore mostly from the multiplier effects of the autonomous spending of remittances by migrants or recipients.

Impact from the multiplier effects of remittance spending

There is a general perception that for the kind of country Greece was in the 1960s and 1970s of the great emigration, *i.e.* in its developing phase, with low income and a chronic deficit in the balance of payments, remittances and other transfers from abroad have sustained income and demand. But on the other hand, remittances with their weight and their continuity harmed competitiveness and trade, through the expansion of imports, liquidity and the demand for non-tradables, mainly housing and land (Maroulis, 1986; Katseli, 1990, 2001; Glytsos, 2002b). One important consequence of the great population exodus of this period to western Europe was the broadening of demographic regional inequalities, *pari passu* with a narrowing of economic regional inequalities, particularly between the center and the periphery (Glytsos, 1988b). The demographic changes were the result of emigration, whereas the economic changes could be partly attributed to remittances that for some regions weighted heavily in their economy.

Regional impact of remittances

An experiment by observation

To make a point for the contribution of remittances to regional development, two quite different regions of Greece in terms of the outflow of people, but with similar pre-emigration economic characteristics are compared. The regions are East Macedonia and Thessaly, which had in the pre-migration year 1961 the same per capita income; very similar proportions of employment and levels of productivity in agriculture; and almost identical natural population growth and ageing (Table 12.2). They differed however greatly in terms of emigration and remittances. The former experienced heavy emigration and the latter light emigration. More specifically, during the period 1961-77, 28.4% of East Macedonia's and 9.1% of Thessaly's population had emigrated, while remittances corresponded, in 1971, to 19.7% of East Macedonia's private output and to 5.7% of Thessaly's private output (Glytsos, 1990).

As emigration was in process, the comparative demographic situation of East Macedonia was fast deteriorating, compared to the demographic situation of Thessaly. At the same time, remittances started to flow and accumulate. Remittances per inhabitant in East Macedonia were three and a half times higher than in Thessaly and they represented respectively, in 1974, 20.3% and 6.0% of the average rural household expenditure in the two regions. During this time, the economic situation in the two regions changed in the opposite direction from the demographic evolution. The spending of these remittances, apart from raising the standard of living, changed the pattern of consumption in East Macedonia deeper, shifting it towards the average of the semi-urban areas of the country as a whole.

In East Macedonia, remittances increased the expenditure in education – which incidentally, is expenditure on human capital – and recreation by 54.7%; for transport and communication by 42.2% and for durable consumer goods by 34.7%, while average consumption for all items was raised by 20.3% (the corresponding figures for Thessaly were: 16, 12.7, 10 and 6.0%) (Table 12.3). In addition, the restructuring of the economy, including a shift of employment from agriculture to other sectors; a change in agricultural productivity; and a more general economic performance were all moving relatively faster in East Macedonia. Given that no particular regional policy or any other reason could possibly explain this post-migration different situation of the two regions, it can only be assumed that it was mainly the significant volume of remittances that privileged one region and the lack of remittances that kept the other behind.

Other evidence on regional impact

One of the highest emigration rural regions was Florina in Northern Greece, from which, during the period 1960-70, 40% of the population emigrated. As a result of remittances, the post-migration consumption of recipients exceeded by 60% the average expenditure of the country's rural areas, raised from a pre-migration level 28% lower than the level of Greece's rural areas (Glytsos, 1993). For status symbol consumption items, such as beverages, footwear and durables, the expenditure of recipients in Florina exceeded the average level of Greece's urban areas as a whole. Including all population of the region (recipients and non-recipients of remittances), the post-migration consumption reached the average of Greece's rural areas, up from a pre-migration level equal to 81% of the consumption of these areas.

The conclusion from these observations is that remittances urbanised the consumption pattern in regions with heavy emigration, such as East Macedonia and Florina, partly through the weight of remittance recipients *per se,* the working of the demonstration effect to non-remittance recipients and the diffusion effects of the spending of remittances in the economy of the regions, respectively. Underlying this changing consumption pattern is, among others, a psychological drive to acquire a more urbanised life-style that can be afforded because of remittances (Glytsos, 1993).

Quantitative estimates for Greece as a whole

Focusing on particular regions with heavy emigration is perhaps a more pertinent approach for assessing the impact of remittances on development, but the overall impact for the country as a whole is no less important; it may capture dimensions that cannot be studied at a lower level. The estimates presented here refer to the past, because it was then that the interest in emigration and remittances was keen and the relevant, or irrelevant, policies at the forefront. So, it may be noted that at the peak of interest and concern in migration, in the 1970s, estimates show that remittances doubled the Greek average consumption of recipients. For some items, such as education and recreation, remittances raised the expenditure 3.3 and 2.1 times respectively (Table 12.4).

The diffusion of the recipients' expenditure to the economy at large has contributed, in the early 1970s, 4.1% in Greece's GDP, against an overall growth rate of 8%, giving a multiplier 1.7 with respect to the original expenditure of remittances. In several industries, including construction, the multiplier was around 2. Remittances induced imports that represented 12.8% of induced gross production, absorbing 22% of the original spending of remittances. The share of investment goods in induced imports was 26.6% and share of consumption goods 73.4%. The volume of these imports represented however, only 4.9% of Greece's total imports. Remittances further sustained 4.7% of employment and 8% of the capital capacity in Greek manufacturing (Glytsos, 1993). Taking into account the whole period 1969-1998, the impact of remittances on growth seems to vary. Econometric estimates confirm the above findings of the early 1970s, showing a positive impact on output, remittances inducing a growth rate of about 3%. However, for the rest of the period, these estimates demonstrate positive and negative spells of remittances on growth, affected by the ups and downs in the volume of remittances, but the size of the induced growth rates is generally low (most of the time, less than 1% in either direction) (Glytsos, 2002a, 2002c).

A note on Greece as an immigrant and remittance exporting country

Nowadays, the interest is monopolised by the immigration to Greece, which from some perspectives is considered as a challenge and an opportunity, and from others as an issue for concern. The challenge is how to manage this large group of foreigners that make up about 9% of Greece's population and probably 12% of its labour force. More specific post-legalisation issues are how to deal with the various aspects of immigrant integration in the Greek economy and society, and how to restrict further illegal flows, or the relapse to illegality. The opportunity is expressed by the recognition of the immigrant contribution to the Greek economy, and the covering of labour shortages in certain sectors of the economy and regions of the country. The concern is that these immigrants may perhaps have become too many for the Greek economy and may steal jobs from the native workers in some economic sectors.[3]

In order to give a glimpse of that other face of Greece as an immigration country with about 900 000 immigrants, a few rough figures are presented on the export of remittances. The focus is on Albanians, who are the predominating ethnic group and constitute in recent years the largest Albanian community of migrants in Europe. Unlike Greek emigrants, Albanians in Greece represent a very high proportion of the Albanian population and they remit a large proportion of their earned income in Greece. All in all, Greece exported an annual average of USD 300 million of official workers' remittances, during the period 1999-2002. Since the overwhelming majority of immigrants are Albanians, their share in these remittances should be very high. It must however be noted that the actual volume of remittances flowing to Albania is much higher than the official figure might suggest. This is because other unofficial channels are also used for the transfer of savings, including the money carried on their frequent visits to Albania, due to the easy and inexpensive access as a neighbouring country. The combined value of remittances and repatriated savings to the Albanian economy (from everywhere, but mostly from Greece) in 2001 totalled USD 542.6 million, or 23.4% of Albania's GDP (Nicholson, 2004).

According to a survey carried out in the mid 1990s, half of migrant earnings were sent back to Albania and of that amount just over half was used for consumption, while the remainder was saved and invested. One-third of those who saved intended to use the savings for building a house. Only 3% intended to put the money in industrial buildings or equipment. Another survey, in 1998, showed that 40% of money sent back by first-time emigrants was being saved or invested (*ibid.*). Returning migrants typically invest in small or micro-enterprises, one-person or small family business, in order to have control. Migrant earnings are the source of most investment in agriculture, which is the largest economic sector in Albania, financing livestock, tractors and other machinery (*ibid.*). During their stay in Greece, Albanians make contacts with potential suppliers so that they can upon returning start and subsequently expand small manufacturing business of their own. For instance, a carpenter obtained materials from Greece, where he also bought the machines and got the idea for business. Workshops producing aluminium doors and windows were set up by migrants who have done that kind of work in Greece and obtained the material from there also (*ibid*). According to a recent survey in Albania, 10% of self-employed and managers used savings accumulated abroad. By the end of the1990s, it was found that migrant savings accounted for 17% of investment in Albanian firms (*ibid.*).

As a relatively new host country, Greece has improved its economic relations with Balkan countries, from which the majority of Greek migrants now originate. Several Greek banks have opened branches in Albania, Bulgaria, Romania and the former Yugoslavia, a decision that has helped immigrants transmit remittances, facilitating their channelling into productive investment in those countries (Glytsos and Katseli, 2005). Just as years ago, the Greek banks opened branches in countries with Greek migrants, the American Albanian Bank opened, about six months ago, a branch in Athens and plans another one in Northern Greece to attract deposits of Albanians and to transfer their remittances to Albania at a lower cost compared to other channels of transmission.

3. For a recent discussion of the problems of legalisation, the post-legalisation situation and the issues of integration of immigrants in Greece, see Glytsos (2005).

Conclusion

The experience of Greece in policies for attracting remittances and channelling them to productive uses is not so encouraging as to be emulated by others. Neither the motivation to attract more remittances nor the incentives for their investment were generally appealing to migrants and recipients.

The frequent problems in the economy, the administration of the state and the political situation in Greece at the peak period of migration could not establish a favourable climate of financial security and investment stability, prerequisites that seem to count more than some satisfactory temporary return on savings and investment of unpredictable duration. But besides that, for a considerable period of time, remittances in general and those coming from Europe in particular, were covering the essential vital needs of recipients, and there could be no question of investing them in what are usually considered as productive outlets.

Notwithstanding, some particular private initiatives or government policies have attracted more official remittances to the country. A case in point seems to be the operation of Greek banks in some towns and cities in host countries with high concentrations of Greeks. Another is the provision of tax allowances along with favorable special deposits in banks for the purpose of buying real estate, which has for some time brought more remittances to Greece. Incentives for investing remittances productively, such as subsidisation, tax allowances, or privileged treatment of production co-operatives that were created and run by migrants had only a very limited appeal.

The inadequacies or ineffectiveness of policies in directing remittances to productive investment and transforming migrant workers to entrepreneurs, does not however mean that remittances did not bring benefits to Greece. Despite some restraints imposed to the faster restructuring of the economy – with no guarantee that it would happen sooner in the absence of remittances – the uninterrupted continuation of even fluctuating remittance flows up to the present day, counterbalances some of the negative structural effects.

The beneficial impact of remittances, particularly during the 1960s and 1970s, may be accounted as follows: first, as foreign exchange, they alleviated the chronic balance of payments deficit; second, they were sustaining a standard of living for a large number of recipients, much higher than it would have been possible without remittances; and third, their diffusion in the economy at large, in whatever way they are spent, was inducing more production not only of consumer goods but also of capital goods, through the multiplier effect, and they also sustained a certain level of employment. The impact of remittances was particularly beneficial in regions with high emigration, injecting doses of higher purchasing power in their economies, a part of which stimulated local production of goods and services and another part was transmitted to other regions promoting regional development, with further diffused macroeconomic effects in the whole economy.

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Table 12.1. Workers' remittances to Greece

1965	1970	1975	1980	1990	1995	1997	2000	2002
Remittances (USD million)								
207	345	782	1 083	1 774	2 982	2 816	1 613	1 181
Remittances as a proportion of exports (%)								
63.1	55.2	35.1	26.4	27.9	51.6	52.4	17.0	12.9

Source: IMF, *International Financial Statistics Yearbook* (various issues).

Table 12.2. Selected characteristics of east Macedonia and Thessaly regions

Characteristics	East Macedonia	Thessaly	Greece
Population	**426 000**	**696 000**	**9 740 000**
Elements of similarities			
Per Capita Output (in drachmas),1979	112 700	113,000	130 700
Index of Agricultural Productivity (Greece=100), 1979	93.3	93.4	100.0
Growth Rate of Output (%) 1970-79	4.6	4.4	3.2
Natural Population Increase (per thousand), 1961	11.5	11.1	10.4
Population over 65 years of age (%) 1961	7.5	7.1	8.1
Migration and remittances			
Migrant Remittances (thousand USD)			
1955-1964	14 374	6 259	176 800
1955-1974	65 950	33 039	645 300
Per Capita (of Population) Remittances 1974	4 575	1 343	1 447
Post-migration situation			
Natural Population Increase (per thousand)			
1971	5.0	8.7	7.7
1981	2.9	7.5	6.6
Population over 65 years of age (%)			
1971	11.5	10.2	10.9
1981	13.7	12.7	12.7
Employment structure			
Primary sector			
1971	63.4	56.4	40.0
1981	49.4	47.6	29.1
Secondary sector	114.0		
1971	14.8	20.3	27.4
1981	24.0	24.2	30.5
Tertiary sector			
1971	19.8	23.3	32.6
1981	26.6	28.2	40.4
Change in the Living Standard (1971=100) 71-80	311.2	282.5	208.5
Change in Agricultural Productivity (1971=100) 71-80	163.0	135.0	148.0
Change in Production Means (1971=100), 71-80	254.2	251.4	224.2

Source: Glytsos (1988b); Voloudakis and Panourgias; estimates of the author.

Table 12.3. Change in the consumption patterns induced by remittances in the regions of East Macedonia and Thessaly, 1974

Rough estimates

	Percentage change	
Expenditure category	**East Macedonia**	**Thessaly**
Food	19.3	5.7
Beverages and tobacco	1.6	0.8
Apparel, footwear	8.8	2.1
Housing, public utilities	21.2	6.4
Durable consumer goods	34.7	10.0
Health, personal care	21.6	6.8
Education, recreation	54.7	16.0
Transport, communications	42.2	12.7
Miscellaneous	-4.8	-1.2
Total	**20.3**	**6.0**

Source : NSSG (1974), *Household Survey;* author's estimates.

Table 12.4. Empirical findings of the effects of remittances in Greece

Individual effects on remittance recipients

Remittances doubled consumption, with priority on education, with a multiplier of 3.3 and recreation with a multiplier of 2.1

Macro-level effects

Contribution to GDP, 4.1% (actual growth rate 8%), with a multiplier of 1.7

In one-third of industries (including construction) a multiplier of 2

Imports made up 12.8% of induced gross production

Imports of investment goods made up 26.9% of induced imports

22% of remittances went to imports

Induced imports represented 4.9% of Greece's total imports

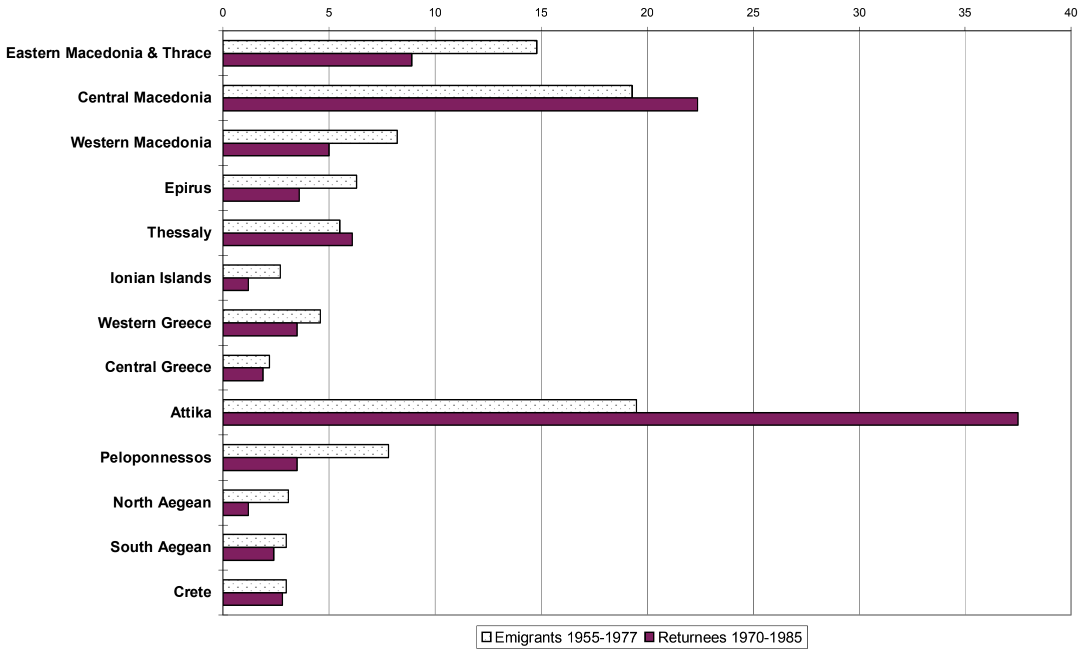
Remittances supported 4.7% of employment in Greece

Remittances supported 8% of capital capacity in manufacturing

Source: Glytsos (1993).

Figure 12.1. Regional shares of emigrants (1955-1977) and returnees (1970-1985)

Greece = 100



Source: Elaboration from Glytsos (1991), pp. 189-192 (for emigrants). Elaboration from General Secretariat of Greeks Abroad, Petropoulos *et al*. (1992), Vol. B, p. 72 (for returnees).

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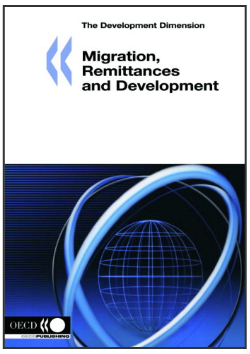

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