

# **BETWEEN STATE AND MARKET FORCES: GREEK AGRICULTURAL COOPERATIVE ORGANIZATIONS IN TRANSITION PERIOD**

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## **Abstract**

Our attempt is to discuss the social and political economy of public intervention in the cooperative sector and deal with the conditions that would secure the future of Greek agricultural cooperative organizations (ACOs). This paper aims at studying the Greek ACOs which are in a transitional period at a time when there is no other form of collective organization in a position to face the needs of a rapidly reformulating rural society.

First, we touch upon the changes in the institutional framework that has created a complex situation for the operation and the viability of agricultural cooperative organizations.

Second, we examine the credit problems which falter a large number of cooperative organizations and which were solved in the past through state intervention and regulation. The role of the Agricultural Bank of Greece (ATE) has been critical in the operation of state agricultural policy in relation to ACOs.

As a result, the critical situation in which the Greek ACOs have positioned themselves appear to be endless without any clear sign of recuperation due to the lack of farmer agents' mobilization, and short-term and transient farmers' radicalization.

## **BETWEEN STATE AND MARKET FORCES:**

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## GREEK AGRICULTURAL COOPERATIVE ORGANIZATIONS IN TRANSITION PERIOD

### **The Evolution of State Intervention in the Co-operative Movement**

The historical analysis of the cooperatives in Greece shows that very early the Greek State pursued and achieved the complete control and fragmentation of the agricultural cooperative movement. This finding is directly linked to the specific articulation of state and society in Greece already during the 19th century (Tsoukalas, 1984). The oversized state administration and its autonomy from the society in combination with the under-functionality of the 'civil society' led to a Greek model of state organization radically different from the corresponding Western model (Tsoukalas, 1977). In this way, the organization and the representation of farmers' interests was not constructed as a result of an action of an organized agricultural movement 'from-the-bottom', but it was planned by the political power aiming at the aligning of the farmers' interests with the state politics.

One may distinguish six basic periods in the evolution of state intervention in the cooperative movement: 1) **The 1914-1920 period** when the cooperative organizations established and expanded in Greek countryside. 2) The **inter-war period** (1921-1939) when state intervened in the leadership and the organization of the cooperative organizations trying to seize control and manipulate them. 3) The **post-war period** (1950-1973) when the cooperative organization were treated as appendages of state administration and which is divided in two sub-periods: i) the 1950-1967 period when the state intervened in cooperatives to secure the transfer of surplus to the urban-industrial sector, and ii) the 1967-1973 period when the cooperatives received direct orders by the dictatorial regime. 4) **The 1974-1980 period** when the cooperatives became increasingly politicized despite the fact that they were still part of a system of state corporatism. 5) **The 1981-1989 period** when the cooperatives have been significantly politicized and identified, to a large extent, with the party which held state administration. This is a time when agricultural incomes continued to increase and the country became a full member of the EEC/EU. 6) **The post-1990 period** which may be characterized as an era when cooperative organizations became conscious of the fact that they need to operate on private interest basis.

Very early the Greek State moved to a tight embracement of the agricultural cooperatives reducing them exclusively to tools of its own agricultural policy. Already in the interwar period the state enforced its direct supervision upon the cooperative organizations and formulated a new institutional context for providing agricultural credit which in reality abolished the joint liability of partners in the cooperative and safeguarded the primacy of the banks at the expense of the elected representatives of cooperatives with respect to agricultural financing (Patronis, 1997). In this way it was possible to paralyze the autonomous operation of the cooperatives and their alteration to credit providing subsidiaries of the National Bank of Greece (ETE) at the beginning and of the Agricultural Bank of Greece (ATE) later. The evolution was reinforced by the lack of an organized agricultural movement which would possibly have reacted. In reality, the Greek farmers never developed an ideology of their own neither created a coherent and massive social movement and an agrarian party (Dertilis, 1977, p. 53).

The phenomena of state and bank interference with the farmers' cooperative actions were further intensified due to the politics of intense state intervention into the economy and particularly of the agricultural economy as a response to the unfavourable consequences of the international financial recession upon the international trade of the Greek agricultural products. At that time the state established extremely centralized State Organizations for the concentration and management of the domestic agricultural products and also a network of methods and tools for state protection and intervention which influenced decisively the evolution of the agricultural economy and of the cooperatives. In the context of this policy it is obvious that the role of the cooperatives remained secondary and marginal, i.e. that of making the transactions for the provision of short-term agricultural loans to the farmers. In this way, the cooperatives undertook an ostensibly 'social' role, which was in fact a side-product of the blatant state intervention in the agricultural sector. Although Greek farmers fought over their rights, the benefits they were given were frequently conceived as a 'gift' rather as an 'earning'.

Moreover, during the post-war period the relationship between the State, the ATE and the agricultural cooperatives did not significantly alter. The cooperative organizations were used mainly for the implementation of the official agricultural policy which

severely limited the role of the agricultural sector while favoured the urban sector of the economy in order to achieve a rapid industrialization in the country. Certainly during the whole of the post-war period the ACOs played a significant role in the agricultural economy, since it is through them that the necessary input of productive factors is obtained. This input was not only financial (loans) but also material (fertilizer, seeds etc.). However, the centralized character of agricultural policy implemented by the Ministry of Agriculture, the ATE and the Organizations for the Concentration and Management, left very limited space for intervention and productive action for the cooperative organizations. Moreover, the political consequences of the civil war with the consecutive 'exceptional conditions' and the semi-parliamentarian regime (Mouzelis, 1978), which was imposed in the country, created only hindrances for the actions of social economy actors, such as the ACOs.

The fall of the seven-year-old dictatorial regime in 1974 signified wider reform in the political and the socioeconomic scene of the country. For the agricultural economy this meant the end of a policy which was connected to the compression of the agricultural sector to the benefit of the urban sectors of the economy, which had led to an exodus of 1.5 million of the rural population to the urban centres and the labour markets abroad.

In the new conditions which were created in the post-dictatorial period, when the restrictive post-war agricultural policy reached its limits, new interrelations formulated between the rural and the urban sectors of production with a number of new characteristics such as the large increase in the prices of agricultural products in the period 1973-1975, the fast increase of the per capita agricultural product until the 1980 and the gradual decline of the rural exodus after the 1974 as a result of the slow convergence between the rural and the urban incomes (Kioukias, 1994, p. 145-146). This development has been inscribed in the consumerist behaviour of the rural households which already by 1981-1982 have covered a large part of the divergence they had in the past with respect to the urban centres. The farmers ceased to be the 'poor relative' of the nation (Karabelias, 1989). Notably this socioeconomic restructuring took place within a wider radical environment of the first post-dictatorial years from which, in its turn, reinforced the former.

In the post-1975 period, the mobilization of the farmers' unions and of the cooperatives multiplied having as the main objective the preservation or even the expansion of the benefits they obtained since 1973 at the level of the agricultural prices; thus, expressing the expectations of the rural population for an equal terms integration into the Greek society. Exactly this request of the rural world for an equal participation into the Greek society would find an expression in the political programme of PASOK (Panhellenic Socialist Party), i.e. the Socialist Party of Greece. Thus, gradually the people of the countryside would recognize themselves among the 'non-privileged Greeks' and would become the main 'force of social change' in the country. Nevertheless, in the context of the 'new politicization of the rural areas' at the time of the post-dictatorial period, PASOK presented a number of comparative advantages when compared to the conservative bloc. The wide and free propaganda among the rural population served the ideologically and organizationally prepared parties of the Left and condemned the ideologically poor and organizationally slow parties of the Right (Kioukias, 1994). In this way, the PASOK which addressed to the farmers as an undifferentiated whole, adopting an ambivalent political parole and without raising the issue of small property, would have the largest electoral benefits by gathering the wider rural masses around its political programme. The radicalization process of the wider rural strata would be completed with the electoral shift which started in 1977 and concluded in 1981 and which, for the first time in the post-war period, pulled the rural population away from the dominant influence of the right.

Thus, the politicization of the farmers within the unstable political scene of the post-dictatorial period and the commitment of the people of the countryside in the 'pro-farmer' positions of PASOK created new conditions and led the cooperatives, for the first time after the inter-war period, to the centre of the public discussions with respect to the issues of agricultural policy and development. The consecutive institutional-legislative interventions during the 1980s, the numerical increase and the massiveness of the cooperative organizations, the pouring of investing capital from the public investments programme to the ACOs determined the development in this area for the next two decades and led somehow to the current physiognomy of the agricultural cooperative movement in Greece (Patronis, 1999).

In the next sections we will deal with two eras which stigmatized the Greek cooperative movement: a) the era of the developed 'state corporatism' and b) the era of 'de-linking' of the ACOs from the older regime. The two eras characterize two consecutive decades, i.e. the 1980s and 1990s. The era of state corporatism coincided with the consolidation of social radicalism and the politicization of social and economic life in the country. In turn, the era of 'de-linking' from the old regime has been launched at a time of severe socioeconomic restructuring, the alteration of the political scene and the fuller integration of the country into the EU.

In the first era, the institutional issues were much more significant than any other issue of the ACOs although these issues maintained their significance due to the legalistic-institutionalist framework which predominates in the social and economic life of the country. However, in the second era the economic issues, i.e. the indebtedness and the economic viability of the ACOs, concentrated the interest of political and social reconsideration of the agricultural policy in Greece. In a similar manner, the Greek State changed its position towards the agricultural cooperative movement from an apparently 'pro-farmer' to a consciously 'neutral' attitude. As a result the ACOs were left, more or less, defenseless during their transition from state protectionism to institutionalization of the cooperatives. The Greek State administration after a period of flirting with the idea of winning over the agricultural cooperative movement submitted to wider economic and sociopolitical objectives (e.g. EMU, structural modernization, foreign affairs etc.) which necessitated a turn in its social and political calculation. As a result, the agricultural cooperative movement was left to face together the old and new challenges at once. Thus, the solution to the agricultural question in the country was postponed until the current period when the Greek agriculture faces stricter terms of competition, the country responds to the economic and political challenge of the European integration and the economy intensively enters the sphere of market globalization and internationalization.

### **The Challenges of the Institutional Framework in the Post-1981 Period**

If there is something which illustrates the adventures of the cooperative ideology in Greece during the 20th century is undoubtedly the frequent changes and the consecutive reforms of the Greek Cooperative Legislation. Between 1915 and 1970

there have been 946 different legislative actions with respect to the form and the action of the cooperatives (Klimis, 1970), i.e. two legislative actions per month. A similar ratio remains in the period 1984-1994, during which 230 legislative actions were recorded. Moreover, the Greek cooperative laws are the shortest lived laws among the member states of the EU (Lambropoulou-Dimitiradou, 1995, pp. 98-99).

In every political period corresponds either a deep reform of the current law, or one or multiple new basic legislative actions for the cooperatives, a fact which is always linked to historical causes but which also denotes the will of each government to tightly embrace the cooperatives. This ‘coincidence’ of deep actions in the cooperative legislation in every alteration of the political situation in Greece,

Leads to the conclusion that under the pretence of social change or liberal reform is hidden a wish to manipulate the farmers mainly through their professional-economic organizations – which are the cooperatives – the guidance of their leadership or guaranteeing its tolerance towards the party choices and politics, and the construction of impressions concerning the 20 per cent of the Greek population – which are the farmers who belong to the cooperatives – but also for the rest of the population (Lambropoulou-Dimitriadou, 1995, p. 98).

In the post-1981 period, the basic changes in the institutional context of the ACOs began in 1982 when the first legislation was voted under the title: ‘For the Restoration of the Democratic Order in the Co-operative Organizations’ and was supplemented in consecutive legislative actions in 1983 and 1985. The main regulations were the following:

1. The older regulations linked to the reproduction of the traditional leaderships in the cooperatives, through the multiple vote, the voting through representative and the majority electoral system were abolished
2. The general principle of ‘one person-one vote’ was accepted – irrespectively of the cooperative shares – as well as an electoral system of proportional representation and party lists in the cooperative elections
3. There was a uniform organizational structure in farmers’ unions, to which were also allocated financial resources and public authority

4. The compulsory consolidation of second grade (county level) co-operatives was enforced aiming at only one Union of Agricultural Cooperatives per geographical-administrative entity
5. The experienced Supervisory Service of Cooperatives, which belonged to ATE, was abolished and its place would be taken by the Body of Auditors that depended upon the Ministry of Agriculture

The main target of the new legislation was to overthrow the older rules of the electoral game in the cooperatives, which secured for a number of decades the election of the same, more or less, traditional cooperative leadership and replace them with new ones on the basis of the competition among the political-party blocks (Kioukias, 1994, p. 122). The new arena for confrontation favoured PASOK and the parties of the Left which had a strong tradition in mobilizing their members and were expected to prevail easily against the ideologically and organizationally slow conservative bloc. In fact, by mobilizing tens of thousands of farmers who registered in the cooperatives and voted in the election of 1983, the governing party (i.e. PASOK) achieved a smashing majority in PASEGES. Thus, according to the then Minister of Agriculture and today Prime Minister C. Simitis existed a 'legitimized cooperative movement' (*Agrotikos Synergatismos*, January-February 1983, p.7) which would proceed to the preparation of a new law for the organizational structure of cooperatives in cooperation with his Ministry.

However, with the new legislation, apart from a unified organizational structure and economic resources the farmers' unions also obtained a public authority, i.e. they had the authority to issue official proof of farmers' professional identity due to which their bearers could benefit from state subsidies. The new law was characterized by what may be called 'decentralized corporatism' (Kioukias, 1994, p. 123) since the farmers' unions would undertake the form of semi-public decentralized units, similar to the cooperatives and the local administration. Moreover, it became apparent now that the aim of the law's movers was to avoid the old state practice of the unilateral control 'from the top' and replace it, partly, with initiatives and participatory procedures from the bottom, where predominated those syndicalist collective actors which obtained the power of massive mobilization of their members.

In our attempt to summarize the legislative-institutional intervention of the PASOK in the cooperative issues during the 1980s we should underline the following. Along the old same track of the politics of Greek governments in rural areas, the PASOK proceeded towards an organizational restructuring of the cooperative movement 'from the top' by strengthening the centralized structure of the state-corporatist type, through the reinforcement of the interventionist authorities of PASEGES and by inserting new institutions for the representation of farmers' interests. Also, this legislation attempted to overthrow the mechanisms for electing the conservative cooperative leaderships which were based upon the old oligarchic model of personality authorities, by institutionalizing the party competition (which in cooperation with the Left would result to the control of cooperatives), and the homogeneous cooperative structure in the whole of the country (which would discourage the breaking out of dividing actions). The fact which differentiated the new from the old institutional regime was the type of political competition regulations which each time determined the correlation of power within the cooperatives and, in extension, the selection of the cooperative leadership as a partner of the government for the design of agricultural policy (Kioukias, 1994, p. 146).

Finally, the result of the intervention of PASOK in the Greek cooperative movement diverged from its expectations. Even though the target was 'the model of the cooperative family farm which would allow the existence of a high proportion of employed in the countryside', the result has been very poor. The structural and operational disabilities of the cooperatives (e.g. dependence upon the state, obscurity between its economic and social role, limited productive activities) remained untouched. On the contrary, more emphasis was given to a syndicalistic attempt to control the ACOs, a fact which reinforced the party penetration and the competition in a domain which its comparative advantage has been the non-profit making cooperation of its members. The majority of the compulsory regulations, which were included in the new institutional context, provoked not only the reaction of the conservative opposition but also open the way for similar practices in the future. Thus when the latter came to power, in the period 1990-1993, it pursued similar regulations such as the Law 1892/90 which was characterized as 'counter-cooperative and counter-constitutional, since it enforced the disengagement of ATE from the cooperative enterprises it participated, violating elementary principles of the Greek

Law, such as the observance of contracts' (Lambropoulou-Dimitriadou, 1995, pp. 101-102).

The 'blue [i.e. conservative] and the green [i.e. socialist] coffee-shops' reflected exactly an environment of sterile politicization which predominated in the Greek countryside for the whole of the 1980s. In this way, every productive and developmentalist attempt was postponed, while most of real problems were altered within the party conflicts. The impact of the regulations included in the new institutional context proved to be a boomerang at the political level for the governing party (i.e. PASOK). The conservative farmer voters sensing the threat of discrimination against them gathered around their own political agent which signified the general mobilization of its members, resulting to two interrelated outcomes: a) the increase of its power in the elections for PASEGES from the 31.2 per cent in 1983 to a dynamic 43.3 per cent in 1987 and b) the establishment of its own separate confederation of farmers' union at the country level (SYDASE).

Even worse, the Greek ACOs were gradually transformed to a subsidiary of the party and political leadership which, in their turn, made sure that they pointed out the appropriate candidates.

Whose [i.e. candidates] the most wanted qualifications were their party commitment and record and not their knowledge, the ability and the experience in the cooperative practice. This was achieved through the use of persons ... who took over the cooperative official positions as the first step towards their recognition in the political arena, and thus, their objectives during the exercise of their tasks have been analogous to their aims (Papageorgiou, 1998, pp. 43-44).

Given the party discipline in ACOs and the fact that the Greek state in the post-dictatorial period was structured mainly as a 'state of parties' (Karabelias, 1989), it was natural that, instead of weakening the phenomena of close dependence between the cooperatives and the state and the agricultural policy, these phenomena further intensified. The cooperative organizations themselves, in fact, defended in every chance the traditional regime of close state protectionism and the distributionism in the domain of agriculture. Towards this direction pointed not only the legislative

regulations of PASOK government during the 1980s, but also the wider political atmosphere of this period. The result was an all-embracing state corporatism, namely the overwhelming dependence of the organizations of the agricultural and cooperative space upon the state and the agents of agricultural policy, and the transformation of the cooperatives into 'decentralised state bureaus' and, at the same time, to dynamic centres of clientelist relations between the farmers and the political-party elites (Louloudis, 1995, p. 140).

Finally, and with respect to the economic practices of the cooperatives during the last two decades a number of helpless choices prevailed while the productive and the modernization activities of the cooperative organizations were essentially undermined. The ambivalence between the economic and the social role of the cooperatives and their close dependence upon the state mechanism had as a result that those ACOs which leaned towards the government to undertake the so-called 'social policy' of the government in the rural areas, without an analogous security. Examples of this situation are the collection and payment of agricultural products beyond the subsidized from the EU quota, the payment of prices to the farmers higher than the economic conditions of the cooperatives, the handling of the 'clearing' (agricultural machinery in exchange with Greek tobacco) with Eastern European countries. In general, the ACOs were urged to undertake activities and exchanges which were irrelevant to their own activities and that, finally – either due to the non-competitiveness of the Greek agricultural exports or due to the differences in the exchange rates – the cooperatives were invited to pay for the costs instead of the state to which belonged the political decision of those choices.

In exchange, between 1982 and 1987 the state subsidy towards the co-operatives reached the 2 billion drachma; namely, an increase when compared to the previous five-year period, by 230 per cent. Moreover, significant economic resources were channeled through to the second level co-operatives by means of subsidies for different investments, loans and tax exemption. Most of the funding either for the support – through the prices – of the agricultural income, or for export and investments of uncertain economic utility and effectiveness, were implemented by the administration of the ATE usually with procedures of disputed transparency and control and only verbal guarantees from the state which especially after 1985 was

unable to cover its obligations. On the other hand, the significant increase in the agricultural interest rates since the start of the 1980s aggravated the cost of credit resulting to debts of the co-operatives against the ATE, which, in fact, rocketed up in 1989 and until this day obstruct their operation, despite the partial adjustment of those debts by the state after 1992. Let us note here that this policy, which created debts in the cooperatives and burdened significantly the agricultural sector as a total – during the 1980s – was supported by the governments of this period and by officials of the agricultural cooperative movement as a policy which would side-step the middlemen and would widen the productive character of the ACOs (Papageorgiou, 1998, p. 44).

As a consequence of the policy which was followed, the serious structural problems of the ACOs instead of being solved, further worsen. No strategy of cooperative amalgamation was pursued and thus, in the EU context Greece appears to have the largest number of cooperatives (7,152) with the smallest average number of members (under 100), while the organizational compartmentalization and the fragmentation of actions prevails. The inability of undertaking significant productive activities nails the Greek ACOs to a credit-intermediary role (6 out of 10 cooperatives are credit cooperatives), while their contribution to the increase of their members' agricultural income is very small to negligible. Despite the fact that the ACOs maintain significant infrastructures and continue to trade large quantities of agricultural products, their activity is characterized by significant shortcomings and only the 4.3 per cent of them can be considered as cooperative units with large activity. Finally, the Greek cooperatives have taken only some steps towards the use of modern techniques of organization and administration as well as for the improvement of the quality and the abilities of their human capital. Thus, the total presence of ACOs in the Greek agricultural economy is characterized by a 'supplementary-assisting' role against the needs of the state and of the private sector (Papadopoulos and Patronis, 1997).

Moreover, the co-operatives appear to be absolutely unable to contribute to the necessary restructuring and the modernization of the Greek agricultural sector in view of the new conditions structured by the European agricultural policy. The turn which is observed towards the mechanisms of re-nationalization of CAP and the significant pressure within the EU for reduction of its fiscal deficit, the gradual transition of the policy tools towards the development objectives of the rural areas and the support of a

competitive economy in the countryside define the new terms against which the Greek agricultural sector appears to be unprepared. Despite the significant inflow of economic resources during the 18 years of CAP the Greek agricultural sector not only missed the improvement of its institutional and structural characteristics but, conversely, its productivity has declined.

It should be admitted, however, that in these development of the agricultural policy in Greece, part of responsibility belongs to the ACOs, which not only neglected the large structural problems of Greek agriculture, but – as it seen from the facts – the income growth they secured through the state protectionism and of distributionism acted as an aversive factor for any improvement of their productive record. The ambition that the cooperatives become autonomous economic units, independent from the state as far as ‘subsidies, tax exemptions and deficit adjustments’ and able ‘to save the farmer from the exploitation of middlemen’ (as promised by initial report of the Law 1541/85), was far away from the reality (Kioukias, 1994, pp. 146-147). On the contrary, the result was that the entrepreneurial activity as well as the commercial credibility of the ACOs was undermined to the great benefit of their competitors, which the cooperatives would have displace with the policy they followed.

The accumulated impasses of the cooperative sector as well as the knowledge that the contemporary condition does not favour, in any way, the implementation of a ‘social policy’ in the guise it was pursued in the 1980s, seem to lead the Greek state to the gradual resignation from its past ‘pro-farmer’ policy. However, the corporatist practices of the past have not been definitely abandoned while the reaction of the crystallized interests seems to be still powerful. Thus, despite the declared, in many cases, political will to alter the relationship between the state and the ACOs and ‘to put knife in the cooperatives’ (Newspaper *To Vima tis Kiriakis*, 18 April 1999), very few things seem to have been done towards this way. The result was the formulation of a peculiar situation with respect to the cooperatives since the start of the 1990s characterized by the transition from the policy of ‘state protectionism’ of the part decade to the policy of the institutionalization of Greek cooperatives. Especially during the period 1993-1998, this policy was limited on the one hand to the declarations for the necessity of drastic changes in the cooperative movement and on the other hand to the virtual absence of any concrete action towards this direction.

Only during 1999, these declarations seem to be realized at least as regards the change in the institutional regime of the ACOs. More particularly, by spring 1999 the Ministry of Agriculture publicized a draft law which aspired to put the relationship between the state and the co-operatives upon a healthier base. After a period of social dialogue with the cooperative-syndicalist organizations and other interested parties the law was voted in the Parliament (February 2000). Not even one modification was accepted despite the fact that hundreds of them were proposed both by the MPs of the ruling and largest opposition party. According the statement of the current Minister of Agriculture, G. Anomeritis, the new law will provide a general context of operation and it will not be a compulsory law. The basic axes of this law are the following (Ministry of Agriculture, 1999):

1. The cooperatives' officials will be elected from a common ballot, i.e. abolition of the party lists
2. Separation of the elected officials from the administrative staff which will obtain the management of the ACOs. More particularly, it proposes that the general manager of the ACOs can be appointed by the managing council and who will have much of the managing council's executive authority
3. Strengthening of the financial transparency of the ACOs through external audits
4. Institutionalization of a system of motives for wider amalgamations of the cooperative organizations

The regulations of the new law attempt to correct the 'wrong deeds' of the Greek ACOs. Despite the reactions which have already been expressed by the representatives of the 'cooperative corporatism' (Newspaper *Ependitis*, 3-4 July 1999), the regulations may become a beginning for the organizational and productive restructuring of the ACOs. This is under the presupposition that the next policy actions will direct towards a rupture with the corporatist practices of the past and will contribute to the formulation of an institutional context which will allow the strategic and institutional restructuring of the ACOs. This can be pursued to the extent that the cooperatives abandon the passive administrative-intermediary activities which marginalize them and turn towards new modern, productive and developmental directions.

Finally, if someone reads carefully the proceedings of the Third Session of the Council for Agricultural Policy it is clear that two, more or less, camps are formulated with respect to the future of the Greek ACOs:

- a) The 'modernists' who regard as a necessary step the autonomy of the ACOs from state embracement through the institutional restructuring of the ACOs and
- b) The followers of what may be called 'agricultural/cooperative corporatism', i.e. those who still dream the 'golden period' of state protectionism of the 1980s (CAP, 1997).

The antagonism between the two camps has taken the shape of a 'confrontation', which peaked in the period 1995-1997, with the mobilisations of farmers who virtually demanded the continuation of the protectionist state agricultural policy and the withdrawal of the limitations which corresponded to the reformed CAP (e.g. lower prices, taxation of farmers) (Louloudis and Maraveyas, 1997).

### **The Challenges of the Economic Viability of the ACOs**

In the early 1990s, it became visible that the Greek ACOs faced significant problems for their economic viability. The issue of the large debts of the ACOs has been only the tip of the iceberg, while the crisis of the cooperative movement constitutes only the start of its transitory period.

In Greece, the issue of agricultural debts has a long history in the post-war period. The adjustment of debts has emerged as a major tool of agricultural policy towards the social integration of farmers into the wider socioeconomic system (Vergopoulos, 1975). First, the indebtedness of the agricultural sector represented the 27 per cent of the country's gross agricultural product in 1950 and reached the 32 per cent by 1967. Second, the adjustment of agricultural debts in the 1960s was pursued by two different political regimes. In 1964, the government of G. Papandreou (party of the political centre) partially wrote off 2.2 billion drachmas of agricultural debts, while in

1967, the dictatorial government of G. Papadopoulos announced the complete writing off of 7 billion drachmas of agricultural debts.

The size of the debt of the agricultural sector and its eventual writing off is considered by Vergopoulos as part and parcel of a state agricultural policy which has concrete set target, i.e. the squeezing of the surplus-product out of the agricultural sector to the benefit of the urban sector. These agricultural debts cannot be merely attributed to the bad management of the farmers, but also to the operation of the credit system organized by the State and the ATE. Moreover, the high interest rates offered by the ATE, which is the basic provider of agricultural credit in the country, account for the enlargement of the agricultural debt.

The *social character* of this [agricultural] debt has to be underlined. The farmer is impelled to borrow in order to carry out his operation, for which is destined by the system, and from which only the impersonal urban capitalism benefits. Thus, the indebtedness of the farmer constitutes a significant medium for the dominance of the State upon the agricultural production. For this, the State is obliged periodically, recognizing indirectly the social character of the agricultural debts, to write off part or the whole of these debts. In reality, these state interventions constitute an indication of a silent admittance of the de facto socialization of family agricultural economy (Vergopoulos, 1975, p. 231, italics in the original).

This 'social character' of the adjustment of agricultural debts continued for a large period until the end of the 1980s. However, what appeared to peak in the 1980s was that the agricultural cooperative movement participated into a unified system of state intervention, i.e. by articulating the ACOs, the farmers' unions, the ATE and the State bureaucracy into one system of state agricultural policy (Louloudis, 1995, p. 131). In this system, the agricultural cooperative movement became a component, or else a link of the wider system of agricultural policy which took the shape of 'state corporatism' under the PASOK governments. This signified a sociopolitical power block which was constructed upon the basis of farmers' integration into the political system and raised the banner of 'social policy' within the context of agricultural policy in Greece. This 'social policy' increased the imbalances while it decreased the integrity of the agricultural sector:

Paying farmers prices beyond those formed in the market was construed as the expression of this social policy; backing farming income through price support and financing often unsuccessful investments, by the ATE, based usually on verbal reassurances of the state, an act which was in itself a borderline case of legality (Louloudis and Maraveyas, 1997, p. 274).

In this way, the social character of agricultural debts was transformed in the 1980s as the social policy of agricultural indebtedness which in fact led to a series of attempts to adjust the debts of a severely injured agricultural cooperative movement. This injure of the cooperative movement did not only concern its economic viability but also and more importantly its social credibility and political autonomy.

The problem of the indebtedness of the ACOs started in the mid-1980s. In the post-1981 period the ACOs took over a more active role in the collection and storage of agricultural products, which lead to a financial opening and which in its turn appeared as non-paid debts. The ATE undertook the funding of the interventionist work of the ACOs, which increased from 12 billion drachmas in 1980 to 180 billion drachma in 1989. This funding decreased during 1990-1993, i.e. 31 billion drachmas in 1993 and reached 61 billion drachmas in 1997 (Panagiotopoulos, 1998, p. 103). Indicative of the intermediary role of the ACOs with respect to the agricultural economy, the share of the gross value of agricultural production, which was managed by the ACOs, virtually doubled in the period 1981-1987, i.e. from 13 to 27 per cent. Moreover, the investments of cooperative organizations exceeded the 10 per cent of the gross investments of the total Greek Industry by the mid-1980s. However, despite this upgrading of the position of the Greek ACOs in the Greek agricultural economy in the 1980s, the role of the ACOs remained 'supplementary-assisting' towards the needs of the state and the private sector (Lappas, 1990). The development of the Greek cooperative sector has been contradictory. Although the cooperative sector enlarged and its significance was reinforced its activities were limited to the low value added actions of agricultural processing and the undertaking of activities on behalf of the state. The contradictory nature of the development of the cooperative sector broke out when the adjustment of its debts went out of hand.

In fact, between the 1985 and 1988 the size of the debts of the ACOs had increased from 19 billion drachmas which concerned 23 ACOs to 92 billion drachmas from 45 ACOs. In 1989 there was the first attempt by the state to carry out an adjustment of the debts of the ACOs. Thus, the Government's Council (KYSYM) decided the adjustment of 92 billion drachma thus recognizing the fact that a part of these debts (39 billion drachma) were formulated under state mandate and the rest (53 billion) were formulated due to the unstable market conditions and to inherent weaknesses of the ACOs. However, the PASOK government which lost the power after consecutive electoral rounds never implemented this adjustment (Panagiotopoulos, 1998, p. 105).

In 1992, a new estimation of the cooperative debts was made and concerned the adjustment of debts which were formulated in the period 1981-1990 (Law 2008/92). However, the issue of agricultural debts was not definitely resolved in the period 1990-1993, when the New Democracy (ND, the rightwing party) governed the country, and returned back to the political agenda with the change of the government in 1994.

Thus, on the basis of Law 2198/94 the Greek State had undertaken the payment of 500 billion drachmas to the ATE, from which 143 billion for its conventional payments to the bank and 357 billion for ACOs' debts. Three years later a new legislative action (Law 2538/97) referred to a new adjustment of debts of the ACOs which had not been included in the previous laws and which had accumulated as a result of the bad management and also of the implementation of 'social policy', in order to continue their operation in the conditions of competition. Finally, the Law 2538/97 was approved by the Parliament within a wider climate of intense reactions, but due to the fact that the funding had not been included in the budget the implementation delayed significantly. Thus, today two years after the law was approved, the ATE has not yet collected the 200 billion drachma bonds it was allocated in order to write off the debts and continues to capitalize the interest upon the sum due. As a result the final debt has grown high. Even though this issue appears to be close to resolution after the collaboration of PASEGES, the ATE and Ministry of Economics, this situation offers a strong indication of the chaotic condition of the cooperative movement in Greece especially after the retreat of the state from its 'pro-farmer' agricultural policy (Panagoulis, 1999).

Since the 1989, there is significant social and political debate on the sources of the indebtedness of the ACOs and the ways the cooperative movement can gain back its independence and economic viability (KLP, 1992; Sifniotis, 1992; Christou, 1995; Sellianakis, 1997).

During the last fifteen years another issue which underlies the adjustment of the cooperative debts is that of the competition between the ACOs and the private enterprises which are activated in the agricultural and the food sector. Responding to the continuous charges made by the Association of Greek Industries for the discretionary treatment of the ACOs by the state, the President of PASEGES N. Liolios referred to the adjustment of 600 billion drachma which respect to the debts of problematic industries towards the ETVA (Greek Bank of Industrial Development) and asked for 'equal terms of competition and launching of competition with the private enterprises' (CAP, 1997, p. 39).

Also, the recent legislative adjustment of ACOs' debts (Law 2538/97) provoked powerful reactions by the large dairy industries FAGE and DELTA due to the adjustment of a part of the cooperative dairy enterprise AGNO as well as reactions by olive-oil enterprises due to the adjustment of debts of the cooperative organization of ELAIOURGIKI. Moreover, these reactions took the form of charge in the EU context resulting to an initial denial of the European Commission to approve the relevant law on the basis that it is against the European legislation and that it may pose barriers to free competition (Fefe, 1996). Notably, the Greek government had to give a 'battle' both at administrative and political levels and achieve in the end a solution through the political decision of the Council of the Ministers of Agriculture by the end of 1998.

In 1997, a more recent estimation of the debt of the agricultural sector rose the debt to 1.17 trillion drachma, i.e. 44 per cent of the gross agricultural product, which is not very large if it compared to that of Spain where it reaches the 80 per cent (CAP, 1997, pp. 172, 207). Although the indebtedness of the Greek agricultural sector is not high when compared to other countries, due to the low capital intensive character of Greek

agricultural enterprises, it presents a significant burden for the ACOs which are the intermediaries for a large proportion of farmers' credit.

Notably, from the amount of 1.17 trillion drachmas the 30 per cent is interest, but if one calculates the capitalized interest on the original loans then the 52 per cent of the actual debt is amortized fund. The burdensome interest rates of the ATE are to a large part responsible for the extraordinary enlargement of the original cooperative debts. Moreover, the largest part of the current debt is in fact what is called 'horizontal adjustments' (i.e. bank accommodations etc.), while the 'special adjustments' (i.e. the adjustment of loans due to natural disasters etc.) constitute only 10-15 per cent of the total (CAP, 1997, pp. 172-174, 190).

Since the mid-1980s the role of the ATE to the formulation of the cooperative debts is critical especially due to its monopolistic position in the agricultural sector and its unique operation as an intermediary between the state and ACOs in Greece. Despite the fact that it shouldered the responsibility of financing on behalf of the state the development of the agricultural sector, the ATE has operated as a monopolistic enterprise gaining significant profits from the transactions and the investments which were implemented through the ACOs.

However, all three partners (i.e. the State, the ATE and the ACOs) of the Greek agricultural policy may be considered responsible for the accumulation of agricultural debts and the crisis situation of the ACOs (Panagiotopoulos, 1998, pp. 109-110).

First, the state's responsibility has been mainly the postponement of covering its obligations towards the ATE and the cooperative organizations which were undertaken as early as 1989. The significant delays in adjusting the debts in the period 1990-1993 led to a further increase of the original debt.

Second, the responsibility of the ATE for the enlargement of agricultural debts is due to the relaxation of the audits upon investments and funding, the neglect of getting guarantees from the state for its intervention in the agricultural sector and the high cost of capital it offered to the ACOs.

Third, the ACOs are responsible for the formulation and the enlargement of the debts especially due to the lack of organizational and managerial experience, their hesitation to enlarge their capital and the antagonism between collaborating ACOs.

The bottom line of the discussion concerning the responsibilities of the ACOs is that they were unable to improve their competitive position in the agricultural market because they were under the impression that the state support and intervention would be endless. The ACOs did not consider a long-term plan for their economic viability and efficiency and focused upon the realization of short-sighted choices and actions. However, the ACOs are not optimistic about the adjustment of the agricultural debts. Characteristically we quote a view expressed by an official of the cooperative movement:

Responsibilities are attributed to the state intervention and to those [cooperative] organizations which operated without any programme and prospect, and the environment within which the co-operatives operated and to unforeseen events. Nevertheless, the weakness deteriorated, became crisis, during the last decade. Since 1994, this issue is attempted to be solved by the well-known adjustments of the co-operative debts, which *essentially acknowledge the cost which burdened the cooperatives from the collection of agricultural products and under the mandate and on behalf of the state*. It is also clarified that, nevertheless, *those adjustments despite their significant socioeconomic cost cannot solve the problem of the economic weakness of the cooperatives. They simply transfer the problem for a, usually, small period of time* (Karamichas, 1998, p. 46, italics are added).

The actual problem concerning the economic viability of the Greek ACOs will persist as far as the cooperative organizations remain disconnected from the state and the banking sector. Nevertheless, in reality the bonds between the three partners of the Greek agricultural policy have not been broken. These bonds are the result of the practice of agricultural production and distribution:

However, in practice the unions of agricultural cooperatives, farmer producers and the ATE, are closely embraced. It is simply a monopoly and a monopsony.

When all of our assets are mortgaged to the ATE. How can we go to another bank? When the ATE is organized within a process of recycling the debts in the agricultural sector it is also a monopsony. Despite its attempts it is difficult to get away from this process.

Thus, for a period of time we are obliged irrespectively from the strategy we may develop as an agricultural sector, as agricultural cooperative organizations and as ATE to be closely embraced and in common to see how we can face the problem (Ch. Kavadias, General Manager of PASEGES in CAP, 1997, p. 170)

Apart from the close relationship between the ATE and the ACOs which is provided also at the level of the distribution and even the take over of the agricultural credit by the ACOs (Panagiotopoulos, 1996), there is a close relationship between the ACOs and the state with respect to the distribution of the subsidies to the farmers as well as the implementation of agricultural policy measures pursued by the EU (CAP, 1997, pp. 168-169; Louloudis, 1995, p. 132).

Finally, one may distinguish between four types of ACOs, and their subsidiaries, according to their ability to get financed by the banking sector and their viability as economic enterprises (Panagiotopoulos, 1998, pp. 111-112):

1. The competitive and profit making units which attract the interest of many banks, whose number is small as a proportion of the total number of agricultural cooperative enterprises.
2. The problematic units without any chance of recuperation or survival and which have been excluded by the banking market. Those are the cooperative processing enterprises which in the past played a significant role in promoting particular branches of the primary production and in developing the local economy.
3. The transitional agricultural cooperative units which are under reform and undergoing a process of reorganization and which are primarily financed by the Agricultural Bank of Greece (ATE) and, in their majority, do not have access to other banks. Those cooperative organizations have gained from the adjustment of their debts by ATE and include a large number of the ACOs and their subsidiaries.
4. The small-medium agricultural co-operatives which are occupied with agricultural supplies or simple processing activities (olive-oil refineries, cheese-making companies etc.) and which require limited Bank financing and show low credit risk. This includes the largest proportion, of mainly first-level, ACOs, does not attract any 'commercial' Banks and co-operate exclusively with the ATE.

One may point out here that the Greek ACOs face a dilemma of what direction to follow with respect to their expected adaptation to the new conditions of globalization and the European integration process. The dilemma between 'managerial efficiency' and 'cooperative mutualism', as it is accurately suggested in the Spanish case by Entrena and Moyano (1998), illustrates the puzzlement of the Greek ACOs which have been developed within a situation of state support and have ended up today with great confusion. 'Scale' and 'size' efficiency are still far away as a target for the large majority of the Greek ACOs. Instead their geographical and socioeconomic coverage provides the basis for a reconsideration of their role in the Greek countryside. Furthermore, the 'free ridership' of the Greek farmers with respect to the ACOs, which is reinforced due to the 'fluid' and 'polyvalent' nature of family farming in the country (Papadopoulos and Safilios-Rothchild, 1999), constitutes a significant reason for the success of any choice of the dilemma. Both choices (i.e. managerial efficiency and cooperative mutualism) require the commitment of the partners/farmers.

## **Conclusions**

From the discussion we developed it is now clear that the current organizational and institutional context, the crystallized political practices as well as the attitudes and behaviour of the agents of agricultural policy in Greece (government, the ATE, the ACOs) pose significant barriers to the agricultural cooperatives in order to respond to the call of the modern times.

The Greek ACOs submitted to the contradictory nature of their development and became marginalized despite their significant role in the implementation and management of the agricultural policy measures. The ACOs cannot be considered as part of a 'third sector' in the Greek economy since their existence relies upon the dynamism and the activity of their partners/farmers. The easing off of state intervention in the agricultural sector left the majority of the ACOs completely naked against the harsh economic competition of the private sector. For the Greek ACOs there was no period of steady transition from a protected to a free agricultural market.

However, the social significance of the ACOs in rural Greece is unquestionable. Their functions are vital for pursuing the rural development objectives posed by the reformed CAP and the *Agenda 2000*:

1. They expand to every corner of the countryside and have established an extended social and economic network
2. They contain important infrastructures a large part of which has been financed by EU programmes
3. They carry out tasks on behalf of the ATE, the Greek state and the CAP and they offer their a number of services even to distanced rural communities
4. They have accumulated experience and they are close to the farmer (CSLEP, 1998, p. 37).

In this context, the ACOs need to alter their mode of operation and organization in order to meet the double challenge of the economic viability and social integration of the agricultural cooperative movement.

A number of issues appear to be central for the transformation of the cooperative organizations within the increasingly competitive contemporary era:

- a) The relationship between the cooperative organizations and the state ought to be transparent and clearly delimited
- b) The viability of the cooperative organizations should be reinforced by increasing the active participation of farmers
- c) The economic viability of the cooperatives should be strengthened by increasing their capital and by diversifying to activities which allow the maximization of their economic output
- d) The EU regulations and policy directions should be particularized and taken advantage by the agricultural cooperative movement
- e) The agricultural sector should be treated in equal terms with the other economic sectors and the credibility of the ACOs should be restored with the assistance of the rest of agents which determine the agricultural policy in Greece
- f) The 'social policy' role in the Greek countryside should be securely left to the hands of non-economic institutions

The social policy although it does not constitute the sole objective of the ACOs should not be neglected, but rather it should arise from the concrete and consistent actions of all participant agents in agricultural policy design and implementation. The failure of the past agricultural policy with respect to the Greek ACOs has not been due to the social policy, but due to the manipulation of social policy needs for gaining electoral, political and socioeconomic benefits. The solution of the problem of the ACOs in Greece is mainly political although it remains deeply social since it necessitates the mobilization of the agricultural cooperative movement and the active participation of Greek farmers.

In a period when the 'modernist' policies seem to predominate, the future of the ACOs is based upon their reorientation and their virtual reconfiguration. The era of state indifference which 'neutralizes' the ACOs leaves at the same time a unique opportunity to cover the lost ground of organizational and managerial autonomy. During this period of transition the Greek ACOs still have 'room for manoeuvre' by taking advantage of the existing EU regulations (e.g. producer groups) and their closeness to the family farms. It is a period when the agricultural cooperative mobilization 'from the bottom' carries more power than it did in the past.

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