

**The London School of Economics and Political Science**

# **COOPERATION AGAINST THE ODDS**

**A Study on the Political Economy of  
Local Development in a Country with  
Small Firms and Small Farms**

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Economics for the degree of Doctor of Philosophy

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*To my mother Klea*

# ABSTRACT

Is it possible to get economic actors to work together in order to achieve mutually beneficial outcomes in unfavourable settings?

Established theories of cooperation suggest that overcoming the obstacles to cooperation requires either a robust framework of formal institutions or a long-established culture of trust. Many places in the world are endowed with neither of those characteristics. Yet, in the presence of fragmented ownership structures, sustained cooperation among economic actors is important for processes of economic development, which themselves have major implications for domestic political dynamics.

My dissertation approaches the puzzle of the emergence of cooperation in unfavourable settings by drawing on qualitative empirical evidence collected through fieldwork in four areas of Greece where specific types of cooperation were observed, compared to four otherwise similar (matching) cases where such patterns of cooperation failed to occur.

I argue that for cooperation to emerge against the odds, the crucial variable is leadership. A small group of boundary-spanning leading actors can trigger a process of creating local-level cooperative institutions by performing three specific types of difficult and costly institutional work. Successful leaders tend to be translocally embedded, highly skilled, well connected actors, who have a subjective conception of their self-interest as encapsulating the interests of others. The institutional work of a small group of local-level leading actors can only catalyse broad-based, sustained cooperation if it is nested within a framework of facilitative overarching institutions. Crucially, supranational actors such as the EU can also provide such facilitative macro-level institutions, thereby to an extent compensating for deficiencies in national institutional frameworks.

By combining analysis of local-level agency and processes, on the one hand, and macro-level institutional frameworks, on the other, my thesis makes a contribution to our understanding of institutional change, the emergence of cooperation, and the political economy of local development in fragmented economies.

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To take things chronologically, in the fall of 2015 I was thinking about research topics for my PhD application. Having spent several years abroad, and having just lived through the traumatic culmination of Greece's long crisis in July 2015, I was looking for a topic that would be in some way relevant to Greece, but that wouldn't be about the crisis: I wanted to begin a project about the day after. At the time, I was reading Aristos Doxiadis's book *The Invisible Rift*, which in my view is one of the best accounts of Greece's distinct variety of capitalism. Doxiadis's observations about Greece's "small vineyards" that would "surely be much more competitive" if Greeks had the "propensity to cooperate" (2014: 49, 108-115), made an impression on me. The idea to write my dissertation on this subject came up through a conversation with my partner Philip Schnattinger, as do many other productive ideas. I contacted Aristos Doxiadis as I was preparing my research proposal, and I am grateful for his availability to discuss with me at the time and ever since.

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# CHAPTER 1

## INTRODUCTION

### 1.1 Cooperation and local development

Cooperation among economic actors is an important ingredient for local economic development. Douglass North's famous book on institutions and economic performance begins with a chapter on the function that well-designed institutions should serve in an economy, namely to facilitate cooperation, which can help economic actors reduce the costs associated with the measurement, enforcement and policing of agreements, enabling them to reap the benefits from trade. Indeed, according to North, the persistence of disparate economic trajectories across space has not been well-explained by development economists, and "what is missing" from the explanation is precisely "an understanding of the nature of human coordination and cooperation" (1990: 11). William Ferguson echoes this conclusion: "successful market exchange, and, more fundamentally, successful economic development, both require some resolution of underlying collective action problems – that is, problems that arise when the individual pursuit of self-interest generates socially undesirable outcomes" (2014: 4). Similarly, McDermott points out that "growth and international competitiveness depend on the ability of a society to upgrade its firms and industries", which in turn is "a function of local constellations of inter-firm networks and institutions" (2007: 104). A number of otherwise distinct strands of literature in economic geography, including the literatures on "industrial districts", "clusters", and "Regional Innovation Systems", among others, have also long emphasised the role of "cooperation, networks, institutions, [and] trust" in improving economic performance (Asheim *et al.* 2011: 878). Indeed, scholars in different disciplines increasingly agree that the study of the obstacles to cooperation and their resolution is relevant for understanding why trajectories of economic development diverge from place to place.

Cooperation is particularly important in economies that are characterised by strong land and business fragmentation, such as the Greek one (see Table 1). This is because by working together, small firms and small producers can collectively achieve certain capabilities that are unattainable for each of them individually, thereby mitigating some of the disadvantages of small size for productivity and potentially enabling those

producers and firms to compete internationally. And indeed, encouraging small firms to become more productive has never been more important for Greece in particular: with the collapse of the inward-oriented model of economic development based on big public spending, during the Eurozone crisis it became increasingly apparent that Greece will only be able to prosper if its economy becomes more competitive and export-oriented. In other words, the internationalisation of the economy and the lack of easily available inward-looking alternative paths to growth provide powerful incentives for increased coordination in fragmented economies, in Greece and beyond (Caloghirou *et al.* 2012: 39).

**Table 1: The importance of Small and Medium-sized Enterprises (SMEs) in the Greek economy**

|        | Share of persons employed in SMEs | Share of value added by SMEs |
|--------|-----------------------------------|------------------------------|
| Greece | 87.9%                             | 63.5%                        |
| EU-28  | 66.6%                             | 56.4%                        |

Source: European Commission, SBA factsheet 2019

The particular focus of this project is on agri-food and tourism, two sectors that are crucial for economic development in many rural areas around the world. Even if many countries’ principal engines of growth are located in cities, economic development in rural areas is important, not least because the collapse of people’s economic chances in the countryside can lead to a highly destabilising type of political alienation. After all, as is increasingly recognised in the literature, populist voting outcomes often have “strong territorial foundations”, and are associated with an expression of discontent “against the feeling of lacking opportunities and future prospects” by people who “live” and “belong” in places facing declining socioeconomic trajectories (Rodríguez-Pose 2018: 189-190).

In fragmented economies, cooperation among economic actors has the potential to yield major benefits in both the agri-food and the tourism sectors. In the Greek agri-food sector it is common that firms which sell final goods such as olive oil and wine don’t actually own the land where their inputs are cultivated; as a result, producing goods of premium quality that can reach upscale markets requires cooperation among producers and firms. At the same time, most Greek agri-food firms are too small to build an internationally recognisable individual brand name; however, through cooperation they can create a collective reputation linked to the quality of the products of a particular place. The capability to produce and market upscale goods is particularly important for firms in the Greek agri-food sector, given that for geographical and climatic reasons, Greek agri-

food goods are costly to produce, and cannot compete in international markets on the basis of price (Iliopoulos and Theodorakopoulou 2014: 670/ S6).

The importance of cooperation in the tourism sector is widely acknowledged in the tourism literature, given that in the first instance, the decision of a consumer to buy a product from a particular firm “has nothing to do with the will or ability” of the individual entrepreneur, but depends on the tourist’s decision to visit a particular location in the first place (Brunori and Rossi 2000: 410; Healy 1994: 597). This is especially so in Greece, where very few areas are managed by large, all-inclusive hotels. Instead, most touristic areas are populated by a multitude of small businesses, each of which cannot significantly influence on its own the quality of the overall package available to the tourist. In traditional seaside touristic destinations, the “sun and sea” model may be enough to attract a satisfactory number of tourists during the peak season, but any attempts to prolong the touristic season or to appeal to upscale markets would require coordinated efforts among firms in the sector. Moreover, the uninhibited pursuit of self-interest by individual tourism firms may eventually lead to a degradation in services that would put off even the area’s usual clientele – a possibility that is well-studied in the literature on the “tourist area life-cycle approach” (Gordon and Goodall 2000: 298). On the other hand, in locations that have not yet developed as touristic destinations, but that have the potential to do so, coordinated efforts among stakeholders would be required in order to provide a set of services and experiences that could attract tourists. As a result of the important role that “spatial externalities” and “historic dependencies” play in the tourism sector, Gordon and Goodall have called for theoretically informed research on “the processes of interaction between tourism and sets of place characteristics”, including the patterns of “competitive/ cooperative behaviour of tourism businesses” and the factors that underpin them (2000: 291-292).

## **1.2 Cooperation in unlikely settings: the research question**

Despite the potential benefits that producers and firms can gain by cooperating rather than acting alone, political economists have shown in a long line of literature that even the most economically sensible forms of cooperation may stumble on collective action problems that are difficult to resolve. These may arise from the difficulty of making credible commitments when the preferences of economic actors are time-inconsistent, the pervasiveness of the free-rider problem, the possible distributional consequences of strategies that may overall be efficient, problems of imperfect information, and the

possible lack of organizational capacity to implement complex cooperative solutions to joint problems (Ostrom 1990: 46-49; Ferguson 2013).

Scholars of cooperation have argued that some of these problems may at least partially be alleviated in settings with robust formal institutions where the state acts as an effective third-party enforcer. According to North, the enforcement of agreements and property rights by a coercive state “has been the crucial underpinning of successful modern economies involved in the complex contracting necessary for modern economic growth” (1990: 35). Equally, “the inability of societies to develop effective, low-cost enforcement of contracts is the most important source of both historical stagnation and contemporary underdevelopment in the Third World” (1990: 54). Indeed, much of the literature “concerning local economic development and its governance in industrialized societies focus[es] mainly on advanced, knowledge-rich, high-tech sectors”, in settings with strong institutions (Burroni *et al.* 2008: 474).

Alternatively, scholars from a range of disciplines consider that collective action problems are easier to resolve in societies characterised by a cultural propensity towards trust-based relations and cooperative norms of behaviour. Putnam argues that “voluntary cooperation is easier in a community that has inherited a substantial stock of social capital, in the form of norms of reciprocity and networks of civic engagements (1993: 167). Some economic geography scholars also consider the role of culture to be important: for example, “the preservation of common motivational tracts, such as a bent towards trust and co-operation in reciprocal exchanges,” is seen as an indispensable characteristic of well-functioning industrial districts (Becattini *et al.* 2009: xix). In turn, those cooperative norms are widely considered to stem from the “civic traditions (...) and the manufacturing-artisan expertise which went back to the times of ‘communal civilisation’” in Central and Northern Italy (Musotti 2009: 439). Such arguments are also becoming increasingly popular with some economists: for example, Guido Tabellini has published several papers arguing that there is a link between norms of generalized trust, other cultural norms and economic development (Alesina and Giuliano 2015: 16-17). Finally, cultural arguments permeate the debate also in policy circles. For example, in a recent policy research paper of the World Bank, it was argued that “relative to Catholics, Protestants, and non-believers, those of Eastern Orthodox religion have less social capital and prefer old ideas and safe jobs” (Djankov and Nikolova 2018). In the absence of favourable institutional and cultural preconditions, the prospects for collective action problems to be overcome are usually considered dim.

The troubling thing is that in many parts of the world, including in several countries of the semi-periphery, which don't belong firmly to either the club of "advanced" nor the category of "developing" countries, neither of those favourable institutional and cultural preconditions for cooperation are considered to exist in a generalised way. Greece is a good example of such a setting. Regarding formal institutions, Greece is able to guarantee an essential level of property rights' protection, and thereby does not fall under what North calls "the Third World". On the other hand, the institutional elements that are required for the state to successfully play the role of "third-party enforcer" are not fully present in the country, distinguishing it also from North's ideal-type category of a "developed country". Indeed, the Greek framework of formal institutions has well-documented shortfalls with regard to the uniform implementation of the law, the existence of an effective judicial system, and the presence of a public administration that monitors and measures outcomes and produces and disseminates data and information, all of which are crucial for the emergence of cooperative relations (Doxiadis 2014: chapters 6, 11).

Based on the literature on Greek political culture, a similarly bleak picture can be painted with regard to the country's cultural context. Indeed, Greece scores very low on large-scale surveys that measure diffuse interpersonal trust, which are "the most common tool for measuring culture" in quantitative studies in economics (Alesina and Giuliano 2015: 8) as well as in political science (Farrell 2009: 1). For instance, Table 2 shows that the share of Greek respondents who agreed that "most people can be trusted" in a recent Eurobarometer survey was about half of the EU average share. Some scholars consider such results as a powerful indicator that Greece has "very low levels of social capital and capacities for collective action" (Paraskevopoulos 2007: 15). The following passage by Greek economist Aristos Doxiadis is a telling example of a widely held scholarly and popular image about Greek political culture:

"Greece is not a society with highly developed mutual trust. This is evident in everyday life when we violate the rules of coexistence in the city, from parking to throwing garbage. In business transactions, those who have the opportunity to compare, see that the Greek entrepreneur is more likely to lie or to shirk from an agreement than the Northern European one. We don't trust our neighbour, our colleague, our supplier, apart from people who are very close to us, our relatives. (...) At the same time, we don't want to be the willing punishers of our neighbour. On the contrary, we consider anyone who denounces waste and infractions as a snitch. This attitude of tolerance and complicity would have moral value against a foreign, oppressive power. But when the rules that are breached with our tolerance are those that sustain a



collective good, then the imaginary resistance is self-destructive.” (Doxiadis 2014: 131)

Making similar arguments as Putnam has put forward with reference to Southern Italy, some scholars attribute the lack of generalised trust in Greece to historical events that occurred centuries ago, and especially to the Greek experience under Ottoman rule, when “the abusive and arbitrary exercise of power” by the state bred among Greeks “a profound distrust of all concentration of power outside one’s own hands”, while “the extended family emerged as the foremost defensive institution capable of offering invaluable protection to its members at all levels of society” (Diamandouros 1983: 45-46).

**Table 2: Diffuse interpersonal trust in Greece**

|         | Share of respondents agreeing that “most people can be trusted” |
|---------|---|
| Greece  | 24%   |
| Italy   | 47%   |
| EU-28   | 47%   |
| Germany | 58%   |
| Finland | 85%   |

Source: Special Eurobarometer 471, published by the European Commission in April 2018 using data from December 2017

These institutional and cultural characteristics render Greece an unlikely setting for the emergence of cooperative relations among economic actors. And yet, despite this unfavourable context, several examples of intense cooperation among producers and firms do exist in the country and in some occasions they “have even managed to revitalise whole areas with their success” (Vakoufaris *et al.* 2007: 779). These cases are not well-explained by existing theories of cooperation, giving rise to the research question that my dissertation addresses: **Under what conditions can the obstacles to cooperation be overcome in institutionally thin, low-trust settings such as Greece, thereby enabling economic actors to engage in specific types of cooperative activities that can help them improve their economic performance?**

The existing literature on cooperation provides many rich insights into the formal and informal institutional mechanisms that can facilitate the resolution of collective action problems in different situations, on which the project draws heavily and builds (see North 1990, Ostrom 1990, Farrell 2009, Olson 1982). By focusing on the emergence of cooperative activities in places where little or no cooperation could be observed previously, I contribute to our understanding of the conditions under which the

aforementioned institutional solutions to collective action problems can be provided in the first place, a topic that is much less understood in the literature. As a detailed study of why, when and how local-level cooperative institutions emerge in places where they were previously absent, my dissertation also has implications for the way in which we approach the question of institutional change more generally.

Moreover, the emphasis of my dissertation on the emergence of cooperation in unfavourable settings differs from the focus of the economic geography and innovation literature on clusters, industrial districts and Regional Innovation Systems. Indeed, much of that literature tends to analyse the characteristics, typologies, and effects of the most successful examples of linkages among economic actors, but not the factors that underpin their creation: “most studies analyse clusters from a static perspective, while questions such as where clusters initially emerge (...) are largely ignored” (Asheim *et al.* 2011, p. 885). By systematically addressing the question of the origins of a key ingredient for economic upgrading in fragmented economies, namely cooperation, my dissertation makes a contribution to our understanding of the political economy of local economic development, which is relevant for comparative political economists, economic geographers, management scholars, scholars of international development, and any other audience interested in economic development as an outcome in itself.

## **1.3 Studying the emergence of cooperation: research design**

### **1.3.1 Research approach and case selection**

In order to address the research question, I followed a comparative case study approach. In particular, I conducted four pairs of matching case studies in specific areas in Greece where intense cooperation among economic actors in the agri-food or tourism sectors emerged in the last 20-40 years, as well as in selected areas with similar resources, where cooperation could have had similar benefits, but where it did not occur (or it only occurred to a limited extent) (Collier 1993: 111-112). The unit of analysis in my project is a particular sector in a particular area – for example, the wine sector in the island of Santorini, the alternative tourism sector in the village of Nymphaio, and so on. The way in which I conceptualised the extent of cooperation in each case study was by observing whether specific types of cooperative activities that were relevant to the sector in question were taking place, such as stable relations for quality improvement among producers and firms in the agri-food sector, and joint marketing projects in both the agri-food and the

tourism sectors. In the presentation of my case study areas in section 4 below, the relevant cooperative activities for each pair of matching cases are presented in detail.

Thus, within the broader context of a country that constitutes an unlikely setting for cooperation, I selected four pairs of matching cases which varied along the dependent variable, i.e. in terms of the extent of observed cooperative activities. In order to facilitate the selection of my case studies, I read a range of sectoral reports (e.g. National Tourism Organisation 2003; Theodorakopoulou and Iliopoulos 2012; ICAP 2009; Kotseridis *et al.* 2015; Lioukas 2013/ S1; Spilanis 2017/ S20), articles in specialised journals (e.g. Lamprinopoulou and Tregear 2011; Vakoufaris *et al.* 2007: 779; Iliopoulos and Theodorakopoulou 2014/ S6), and newspaper articles to firstly identify the outliers where cooperation was relatively high. The four high-cooperation cases studied here were good examples of outlier cases where cooperation emerged against the odds within their respective sectors at a point sufficiently removed in time that one could meaningfully talk of sustained cooperation. As a next step, I used sectoral reports, background discussions with persons who had knowledge of the sectors in question, as well as my own knowledge to identify suitable comparison cases for each selected high-cooperation case study. In the comparison cases, cooperation could have had similar benefits for the stakeholders involved but occurred to a more limited extent, if at all. Overall, I selected two pairs of matching case studies in the agri-food sector (including one pair in an established sector, namely wine, and one pair in non-established sectors, namely saffron and *mastiha*), and two pairs of matching cases in the tourism sector (including one pair in mass tourism destinations, and one pair in alternative tourism destinations). During my fieldwork in each case study area, I used detailed questions about the type, cost and timing of cooperative activities in the local sector to check whether the extent of cooperation that I was expecting to encounter corresponded to the observed reality of the case.

I conducted my analysis of the four pairs of Greek matching case studies in two steps. The basic comparisons that I conducted were between the cases within each pair. In other words, I firstly tried to understand why, even though cooperation could have been beneficial in both cases within each matched pair, a critical mass of cooperative activities was only observed in one of them. Furthermore, given that in my case studies where cooperation did emerge, it did so in recent decades, in addition to conducting across-case comparisons, I also examined the reasons for across-time variation in the extent of observed collaborative activities in the high-cooperation case studies. I thereby combined across-case and within-case analysis (Collier *et al.* 2004: 100; George and

Bennett 2005: chapter 8; Bennet and Checkel 2014: 28-29). Across-case comparisons allowed me to guard against the possibility of falsely attributing within-case variation to endogenous factors when it was really the result of exogenous factors such as changes in international demand, while across-time comparisons allowed me to minimise the risk that differences in the outcomes of matching cases were due to other unobserved differences among the cases than those identified in my study.

As a second step, I exploited the sectoral variation among the different pairs of cases in order to ask what similarities and differences can be observed in the mechanisms through which the obstacles to cooperation were overcome in different sectors. After all, the different structural features and overarching institutional frameworks in each sector would lead us to suspect that there could be some sectoral variation in terms of how and why cooperation emerges in the different pairs of cases. Are there any similarities in the way in which cooperation emerges in the established and non-established agri-food sectors, and the alternative tourism and mass tourism sectors? What are the analytically relevant differences?

Thus, the methodological choice to conduct a medium-n number of case studies entails a particular judgment about the best way to strike a balance between breadth and depth in my research. On the one hand, qualitative research appeared necessary in order to understand the configuration of variables that allowed local stakeholders to overcome the obstacles to cooperation, as well as the mechanisms that they used in doing so (Bennett and Elman 2006: 263-264). On the other hand, the study of more than just one or two very particular cases seemed important in order to help me “capture the essence” of the stories that I recount, distinguishing the features that were analytically relevant from those that were idiosyncratic to each case (Bates *et al.* 1998: 12). Moreover, studying cases in more than one sub-sector enabled me to draw some conclusions about the impact of sectoral institutional frameworks on the prospects for cooperation, thereby combining two levels of analysis: a micro- and a macro-level. Overall, my comparative case study design draws from the tradition of comparative politics and resembles the research design followed in several important empirical studies in the political economy of cooperation and economic development (e.g. Ostrom 1990; McDermott 2007). At the same time, the comparative approach of my thesis distinguishes it from some existing empirical studies of inter-firm networks in other disciplines, which focused on single case studies and “had difficulty in moving from a ‘thick’ model based on a few *loci classici*

(...) to a ‘thin’ one that might provide a better explanation of variation across cases” (Farrell 2009: 70; see also Gertler 2010: 12).

### 1.3.2 Data sources and data analysis for the four pairs of case studies in Greece

For each case study area, I collected information through a variety of sources about the potential benefits of cooperation to local economic actors, the extent of their attempts to engage in cooperative activities, the obstacles they encountered in that process, and the ways in which they overcame those obstacles.

Firstly, in each area I conducted a series of semi-structured interviews with relevant stakeholders, including producers, representatives of cooperatives, firms, inter-firm associations, local authorities, and representatives of civil society groups, depending on the type of case study. These interviews were based on questionnaires which addressed each of the thematic areas mentioned above, but which also varied in order to reflect the specificities of the sectoral setting in question, and the thematic areas on which the stakeholder that I was interviewing could provide the most relevant information. I conducted between five and ten interviews for each case study area, while the length of the interviews varied according to the availability of interviewees and the extent to which they were in a position to provide relevant information. Before embarking on fieldwork in my four pairs of matching case study areas, I conducted preliminary fieldwork in the olive and olive oil sectors of three locations, which helped me to identify the best way to approach potential interviewees, adapt my questionnaire, and better target my efforts during the main stage of fieldwork. A large share of the interviews were recorded and transcribed. In cases where I considered that asking for the permission to record the interview could act as a significant barrier to having an honest conversation with an interviewee about sensitive topics regarding their relations with other local actors, I did not record the interview, but I relied on detailed notes that I took during and completed immediately after the end of the interview. On a few occasions, interviewees declined to be recorded, in which case I once again relied on my notes during and immediately after the interview. A full list of the 86 interviews that the dissertation draws on can be found in Appendix A.

In order to triangulate the information obtained from the interviews and access other types of information that my interviewees could not provide, I also utilised a number of other sources of data. In particular, in each case study area I collected relevant types of documentary evidence, such as the minutes of meetings among the local stakeholders

wherever those were available, and internal documents produced by relevant organisations. Moreover, for some of my case study areas, I scanned the local press for relevant articles during periods that were particularly important for local cooperative efforts.<sup>1</sup> Finally, I collected and analysed a wide range of grey literature and other secondary sources about my case study areas, including policy reports, academic articles in a range of fields and books. All non-interview sources that I drew upon for my four pairs of matching case studies are listed in Appendix B<sup>2</sup>.

Having collected empirical material from the aforementioned sources, I analysed it by manually assigning the pieces of information contained in each source to one of the following broad categories: “potential benefits of cooperation in the sector”; “extent of observed cooperation”; “obstacles to cooperation”; “mechanisms for overcoming the obstacles to cooperation”; and “supplying the mechanisms for overcoming the obstacles to cooperation”. Each category included a number of sub-categories, allowing me to easily trace emerging patterns as well as differences among the case studies. This process was followed for every single interview and document listed in Appendices A and B, and the resulting corpus of coded material formed the basis for the “analytic narratives” (Bates *et al.* 1998) developed in Chapters 2, 3, 4 and 5 of this dissertation.

### 1.3.3 Additional data sources

In addition to the empirical material collected for my four pairs of matching case studies in Greece, I also gathered evidence about two case studies in Southern Italy: a high-cooperation case study in the alternative tourism sector, and a high-cooperation case study in the agri-food sector. The two Southern Italian case studies helped me explore the question of generalisability: would the argument that I developed based on the Greek case studies turn out to also be relevant in explaining how cooperation emerged in an unfavourable geographical setting outside Greece? (Hancké 2009: 51; Tarrow 2010: 251). I collected the material for the case study in the alternative tourism sector through fieldwork, including ten semi-structured interviews conducted in Italian, all of which were recorded and transcribed, as well as through secondary sources. The material for the Southern Italian agri-food case study relies on the published work of Bianchi (2001) and

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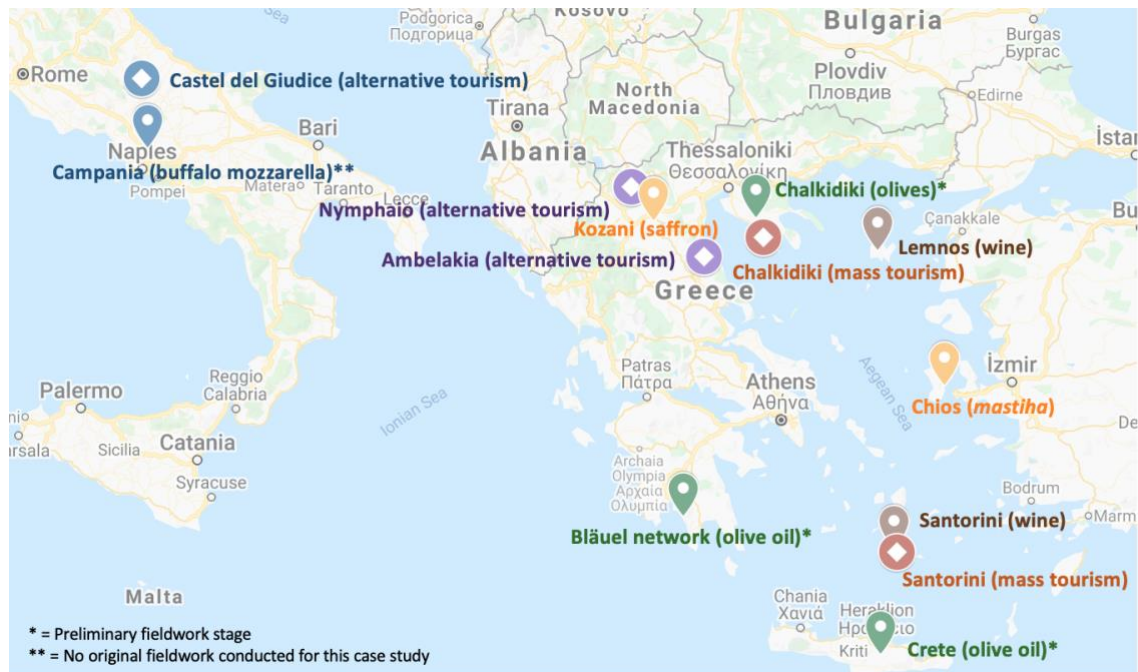
<sup>1</sup> My collection of material from the local press was interrupted by the COVID-19 outbreak, which resulted in the temporary closure of the Library of the Hellenic Parliament. As a result, I did not acquire press material for all my case studies. Nevertheless, the press material that I had already collected for some of my case study areas was very useful and is extensively referred to in the empirical analysis.

<sup>2</sup> Throughout the dissertation, when citing those sources I include their serial number as presented in Appendix B.

Locke (2002). Figure 1 below shows the location of my case study areas, including my four pairs of matching cases (depicted in purple, red, brown and yellow); the areas where I conducted preliminary fieldwork (depicted in green); and the location of my two Southern Italian case studies (depicted in blue).

Given that my dissertation focuses on the examination of mechanisms of institutional change and the configurations of variables that enable the supply of those mechanisms, it is difficult to examine most aspects of my argument using quantitative evidence. Nevertheless, one particular aspect of the argument, which is examined in Chapter 4, concerns the place-based characteristics associated with the likelihood that a particular path to cooperation will be locally available. Those place-based characteristics are in principle quantifiable. Therefore, as an extension of the argument that I develop in that chapter based on my case study materials, I compiled a database with nation-wide statistical data about the degree of cooperation and the relevant place-based characteristics in each municipality of Greece. I examined the association among those variables in a preliminary statistical analysis that is included in the Appendix to Chapter 4, and that can act as the foundation for a more comprehensive future study.

**Figure 1: Location of all research areas**



## **1.4 The dissertation's empirical setting: a brief presentation of the cases**

### 1.4.1 Locations of preliminary fieldwork

Before conducting research on the four pairs of case studies that form the core empirical material of my dissertation, I did preliminary fieldwork in the olive and olive oil sectors of three locations, in order to help me better design and structure the main stage of my fieldwork. Based on the empirical material that I collected later, some of the insights that I gained during those first fieldwork trips turned out to be very relevant for explaining how cooperation emerges in unfavourable settings. For that reason, while developing the core argument of the dissertation in the next four chapters, I sometimes also refer to material from my preliminary fieldwork.

The first fieldwork trip that I conducted for this project was in the Bläuel olive oil firm in Mani. In the late 1980s and early 1990s, a vertical network of 350 farmers, 18 olive processors and a single bottling plant was set up in Mani, Greece. The network was centred around the Bläuel firm and it produced organic olive oil. For about a decade, the Bläuel firm and the collaborating farmers were the only producers of organic olive oil in the country. They were able to export their production and attain substantially higher prices than if they had sold conventional olive oil in bulk, which remains the default option in Greece (Lamprinopoulou and Tregear 2011). Although it only concerned vertical cooperation between producers and a firm, and not horizontal cooperation among firms, the case yielded several interesting insights, particularly about the role of trust in quality upgrading.

During my preliminary fieldwork, I also visited producers, representatives of cooperatives, and representatives of final firms in the table olive and olive oil sectors of the regions of Chalkidiki and Crete. In the green table olive sector of Chalkidiki, relations among producers and firms are governed exclusively via the market mechanism. Acrimonious fighting occurs every year regarding the prices and payment conditions for the olives, and there is only minimal cooperation for quality upgrading. Moreover, the olive-producing firms only engage in minimal horizontal cooperation to collectively market the product in upscale markets. On the other hand, Crete is Greece's foremost olive oil-producing region, but there are significant variations in the degree of cooperation observed in different areas of the island. Some of my interviewees in Crete had participated in what was formerly one of Greece's largest olive oil cooperatives in terms of market share, which, however, faced grave financial difficulties and nearly collapsed



during the Eurozone crisis. Although my fieldwork in the two regions was not sufficiently geographically focused to constitute full case studies, the empirical material collected in Chalkidiki and Crete generated a number of useful insights about the role of clientelism and recent experiences of mismanaged collective efforts on the prospects for local-level cooperation.

#### 1.4.2 Cooperation in an established agri-food sector: the cases of Santorini and Lemnos wines

Turning to the main corpus of empirical material that my dissertation is based on, the first pair of matching case studies that I examined were cases in the wine sector. For upgrading to be achieved in the wine sector, the most relevant forms of cooperation include vertical cooperation along the supply chain for quality improvement, and horizontal cooperation among local wineries to build a collective reputation.

On the one hand, the island of Santorini produces the most expensive and perhaps the most recognisable Greek wines, mostly based on the white *Assyrtiko* varietal. Producers of the *Assyrtiko* grape receive more than €3/kg, which is extremely high by both domestic and international standards (interviews #33, #35, #36, #37). The Santorini wine sector has an obligatory cooperative that all grape producers must belong to, but they are only obliged to deliver a share of their production to the cooperative, and are free to trade the rest privately (Venizelou 2015: 17/ S5). Apart from the cooperative's winery, there are approximately 18 other wineries on the island today (interviews #33, #37). The success of the sector was the result of a major restructuring that took place in the late 1980s and early 1990s, with a major change in the way grapes were harvested and wine was produced (Vlahos *et al.* 2016/ S7). During the Eurozone crisis, the wineries of Santorini undertook a coordinated marketing effort (the "Wines of Santorini" project) and were very successful in diversifying their market by switching from domestic to US consumers (interview #29). As a result, Santorini's wine sector continued to flourish throughout the crisis, despite a collapse in the domestic demand for wines.

The island of Lemnos also produces high-quality white wine from the Muscat of Alexandria varietal, which was brought to the island by Lemnian expatriates in the early 20th century. Lemnian wineries also produce red wine from the *Kalambaki* varietal, which has been cultivated on the island since antiquity and is praised in the *Iliad*. The sector consists of a voluntary cooperative, which absorbs nearly two-thirds of the grapes produced on the island, and about 8 private wineries of various sizes (interview #78).

Although from the mid-2000s onwards, the actors in the sector have undertaken significant steps to improve the quality of the white wine in particular, Lemnos's wine still commands low prices, it is barely exported outside Greece, and a lot of it is sold in bulk to big firms outside the island (interviews #82, #85). The producers' price in Lemnos is approximately 42-48 cents per kilo of grapes (interview #86). The level of cooperation among wineries is very low, and there are practically no collective efforts to create a regional brand name for the wine or to utilise the potential of the *Kalambaki* varietal (interviews #78, #79, #83). The sector suffered a severe blow during the Eurozone crisis due to the collapse of domestic demand, from which it has yet to recover (interview #83).

#### 1.4.3 Cooperation in non-established agri-food sectors: the cases of Chios *mastiha* and Kozani saffron

My second pair of case studies focuses on Chios *mastiha* and Kozani saffron. Although they produce different goods, *mastiha* and saffron producers face a similar set of challenges: in order to succeed commercially, they must not only guarantee the quality of their goods, but they must also produce innovative, differentiated products utilising the local inputs and create new markets for those products.

*Mastiha* is a resin that is gathered from mastic trees, which are cultivated exclusively on Chios island in the Eastern Aegean. Chios's *mastiha* producers are organised in an obligatory cooperative, where they are required to deliver all of their production. For decades, most *mastiha* was exported in raw form to clients in the Middle East, while a small quantity was also used for the cooperative's *mastiha* chewing gum. The price of *mastiha* was low and the cooperative was often unable to find clients for its entire *mastiha* production (Tsouhliis 2011: 142/ S2). Nevertheless, starting in 2001, a sustained effort by the cooperative to reorganise its activities, implement a strategic plan, and create and promote innovative products led to a remarkable rise in both the price and the quantity of *mastiha* (Vakoufaris *et al.* 2007; Lioukas 2013/ S1). These efforts were spearheaded by the cooperative's newly founded subsidiary company, Mediterra SA, which established a network of *MastihaShops* selling a range of *mastiha* and other high-quality agri-food products. These shops constitute one of the best examples of innovation and branding in the Greek agri-food sector. A number of private firms that started developing a variety of *mastiha* products also made major contributions to the advancement of the sector. For example, the firm Concepts SA spearheaded the revival and modernisation of the production of *mastiha* liquor, transforming it from something

that was only consumed locally in Chios, to the equivalent “for Greece of what limoncello is for Italy” (interview #58). Throughout this period, the cooperative also worked closely with the producers in a process of constantly improving the quality of raw materials, while it made important steps in advancing *mastiha* as a pharmaceutical product (interviews #59, #60, #62). The Chios *mastiha* sector remained resilient throughout the Eurozone crisis.

The saffron sector of Kozani, one of the few saffron-producing regions in Europe, faces many similar challenges as the Chios *mastiha* sector. The two cases share a similar starting point in the early 1990s of producing a good with very few domestic uses, which was mainly exported in bulk and was highly sensitive to the vicissitudes of international markets. The Kozani saffron sector faces particular difficulties during times when Iran is allowed to trade freely internationally, as Iran produces 90% of the world’s saffron at prices that are as much as ten times lower than Kozani’s (Siracusa *et al.* 2011: 152; interview #53). As a result, creating a brand name for the raw input as well as for other products made using Kozani saffron acquires particular importance. The Kozani saffron sector is governed similarly to the Chios *mastiha* sector, through an obligatory cooperative that has the monopsony of raw materials. While the saffron cooperative has made some efforts to expand the uses of Greek saffron, most recently through its collaboration with the cosmetics company *Korres* to produce herbal teas with saffron, the ecosystem of private firms processing saffron in Kozani remains extremely limited, and even this collaboration with *Korres* recently unravelled. The extent of the cooperative’s collaboration with the farmers to engage in quality improvement of inputs has also been more limited than in Chios, resulting in the persistence of certain problems in Kozani that were eliminated in Chios through the centralisation and mechanisation of production.

#### 1.4.4 Cooperation in the alternative tourism sectors of Nymphaio and Ambelakia

The third pair of case studies concerns collective initiatives for the development of an alternative tourism sector in remote rural areas which are well-endowed to become touristic destinations.

On the one hand, Nymphaio is a mountain village at 1350m. altitude in the region of Florina, Greece, which represents an “exemplary case of revival of a mountainous touristic settlement” (National Tourism Organisation 2003: 4-26). Like many other Greek villages, it was nearly deserted after the Second World War. However, from the 1980s until the 2000s, the locals made a concerted effort to restore traditional buildings, provide

touristic attractions, and market Nymphaio as a touristic destination, turning it into one of the most popular winter destinations in the country. Among the most notable attractions whose creation was supported by the community was an NGO-run shelter for brown bears, which are an endangered species, and a YMCA children's camp. In 2007, Nymphaio had thirteen hotels, five restaurants, seven cafés, and two stores with traditional products ("Nymphaio: Fair-tale with a name"/ D7). Despite its remarkable success in the 2000s, Nymphaio was hit hard by the Eurozone crisis due to its reliance on domestic tourism, and it was unable to diversify its clientele to weather the shock in a resilient manner. As a result, it faces a number of challenges today.

On the other hand, Ambelakia is a village 45 minutes from the town of Larissa in Thessaly, Greece. Ambelakia is exceptionally well-endowed to develop as a destination for alternative tourism, and yet such touristic development remains very limited today. The main attraction of the village is a set of marvellous 18th century mansions (especially the Schwarz mansion), which are among the rarest and most well-taught examples of Greek medieval architecture. Located on Mount Ossa, Ambelakia could also offer the tourist a set of experiences in nature, while its good accessibility from Greece's main highway between Athens and Thessaloniki is an added advantage. The village has one hotel, a few tavernas, and a number of cultural and other types of associations, but little is done at a collective level to provide touristic attractions and stimulate economic development. The village's mansions are left to decay, collapsing one after the other. Due to the reliance of its small tourism sector on domestic demand, the village fared particularly badly during the Eurozone crisis.

#### 1.4.5 Cooperation in the mass tourism sectors of Santorini and Chalkidiki

Finally, my fourth pair of case studies consists of Santorini's mass tourism sector and Chalkidiki's mass tourism sector. In the presence of fragmented ownership structures, cooperation in the mass tourism sector enables economic actors to upgrade quality, lengthen the tourism season, and attract differentiated, upscale tourism flows.

On the one hand, Santorini is best-known for being one of Greece's most popular tourism destinations. In 2015, Santorini had approximately 300 hotels, 1250 rental rooms and rental villas businesses, and 2 camping businesses (Spilanis 2017: 19/ S20). Rather than simply satisficing with the high volumes of tourism that the island was already receiving due to its unique volcanic landscape, starting in the 1990s, Santorini's tourism actors engaged in a process of quality upgrading, especially in the villages of Oia and

Imerovigli. As a result, Santorini attracts tourists with a substantially higher *per capita* spending than the country average (Vassilopoulou 2000). Moreover, Santorini was one of the first Greek destinations to attract conference and wedding tourism, and during the 2010s, following the collective marketing campaign “Year of Gastronomy 2013”, it has also emerged as a gastronomical destination. As a result, Santorini has one of the longest tourism seasons in Greece, with several businesses staying open throughout the winter, and multiple others closing for two months only (Spilanis 2017: 23/ S20; interview #75). However, these activities have induced the participation of only a limited number of actors in the sector, while most actors are not involved in any type of cooperative activity. Moreover, partly as a result of these successes, Santorini currently faces a problem of over-tourism, which it has largely been unable to tackle through collective action to limit and distribute flows. As a result, even though Santorini is classified as the high-cooperation case in the pair of mass tourism case studies, overall, the degree of cooperation among the tourism stakeholders can be characterised as medium.

On the other hand, Chalkidiki is one of the earliest mass tourism destinations in Greece, and every summer it attracts hundreds of thousands of tourists. As an order of magnitude, Chalkidiki’s tourism sector consists of approximately 500 hotels, 2000 rental rooms businesses and 40 camping businesses (interview #24). The case study focuses on the peninsulas of Kassandra and Sithonia, where the bulk of beach tourism is concentrated. Despite the high volume of tourism, local economic actors feel strongly that the failure to upgrade quality and lengthen the season in Chalkidiki is affecting them adversely (interviews #21, #22, #23). Very few cooperative activities among firms have taken and are taking place to address these challenges. Whatever cooperation is observed is in the sphere of marketing, where the Union of Hoteliers in particular has engaged in notable efforts through the Tourism Organisation of Chalkidiki, but very little is done to manage the tourism product collectively and create activities that would attract higher-end tourists for longer time periods. The anarchic evolution of the sector over time has also created clusters of over-development resulting in a degradation of the touristic product. The sector has not been able to tackle the issue through action to limit and distribute the tourism flows (Tsoulidou 2013: 44/ S27; Gounaris 2015: 30/ S26).

As is evident from the above discussion, the extent of cooperation in my eight case studies in the last four decades has differed not only within each matching pair, but also across the matching pairs. In two cases, namely Santorini’s wine and Chios’s *mastiha*, sustained vertical and horizontal cooperation over time has resulted in a range

of producers and firms supplying to the market some of the most commercially successful Greek agri-food products. In the case of Nymphaio’s alternative tourism sector, an impressive concerted effort to provide touristic attractions led to a remarkable rise of winter tourism in the village, but these efforts have not been sustained to the same degree in the 2010s. Santorini’s tourism sector has benefited from a moderate degree of cooperation for upgrading and the attraction of alternative tourism flows, but only a limited share of the relevant actors have participated in such efforts, while some collective problems remain unaddressed. On the other hand, while, for the reasons explained previously, Lemnos’s wines and Kozanis’s saffron are classified as the low-cooperation cases within their matching pairs, the relevant actors in those sectors have nevertheless engaged in some degree of cooperation for quality upgrading and innovation, respectively. In contrast, in Chalkidiki’s tourism sector, hardly any cooperative activities are taking place for the management of the touristic product offered in the region.

In order to summarise the extent of cooperation observed in each case study, I have used a numerical score out of 10 as a heuristic device. A score of 10 denotes a high degree of cooperative activities among the relevant actors cumulatively since 1985, while a score of 0 denotes no cooperation. The purpose of these scores is to easily communicate to the reader the ordinal classification of my eight case study areas in terms of the degree of cooperation observed in each, something that will be useful for analysing variations in the degree of cooperation not only between matching cases, but also across sectors. The cooperation scores for each case study area are presented in Table 3.

**Table 3: The extent of cooperation in each case study area**

| High-cooperation case | Cooperation score | Low-cooperation case | Cooperation score |
|-----------------------|-------------------|----------------------|-------------------|
| Santorini wine        | 9                 | Lemnos wine          | 5                 |
| Chios <i>mastiha</i>  | 9                 | Kozani saffron       | 5                 |
| Nymphaio tourism      | 8                 | Ambelakia tourism    | 4                 |
| Santorini tourism     | 5                 | Chalkidiki tourism   | 2                 |

**Note:** The cooperation score is a heuristic device that summarises the cumulative degree of cooperative activities in each case study since 1985. A score of 10 denotes a high degree of cooperation over time, while a score of 0 denotes no cooperation.

## 1.5 The argument

The overall challenge that I set myself in writing this dissertation was to explain the differences in the degree of observed cooperation in my eight case studies, and on that basis, to develop an argument about the supply of cooperative local-level institutions, which are a key ingredient for the political economy of local development in fragmented economies. The basic contours of this argument are outlined here.

### 1.5.1 The obstacles to cooperation from the perspective of a broad conception of rational action

In order to explain how and why cooperation can emerge at the local level in places where it did not previously exist, it is necessary to first understand the precise nature of the obstacles to cooperation that economic actors face.

In this dissertation, I adopt what Ostrom calls “a very broad conception of rational action”, where economic actors take decisions based on a calculation of the expected costs and benefits of different strategies, yet their conception of those costs and benefits is not predefined in a singular way, but is influenced by the shared norms and structural features of the environment that they operate in (1990: 37).

Within the contours of this general model, I argue that economic actors must sequentially overcome two types of obstacles in order to successfully engage in cooperative activities. Firstly, they must overcome a set of cognitive obstacles to cooperation, which relate to the actors’ conceptualisation of the costs and benefits – and sometimes even the very character – of the locally applicable cooperative strategies, relative to the non-cooperative strategies which constitute the actors’ default option. Conceptualising the costs and benefits of cooperation may be hindered by the problem of entrepreneurial discovery, a process that is particularly demanding in contexts where the actors are habituated to thinking in different ways about the sources of prosperity. Social fragmentation can also inhibit actors from correctly calculating the costs and benefits of alternative strategies, as a perceived rift between their own interests and those of other social groups may hinder actors from imagining that broad-based cooperation could ever be mutually beneficial.

Nevertheless, even if those cognitive obstacles are overcome, and the actors acquire a good understanding of the payoffs associated with the cooperative and noncooperative strategies, cooperative activities may still be hindered by classic collective action problems, where “the individual pursuit of self-interest generates

socially undesirable outcomes” (Ferguson 2013: 4). The precise collective action problems will vary depending on the type of cooperative activity and the sector in question. Actors cooperating vertically along the supply chain may face hold-up problems, which arise when the requirement to make early investments in specific assets puts one group of actors in a position of vulnerability to be exploited. Actors cooperating horizontally within a sector may also face a variety of collective action problems, such as public-good provision problems, which arise when the share of the benefit of following a cooperative strategy that can be captured by the individual firm is so small, that the dominant strategy is to always defect.

In short, in order to understand the emergence of cooperation among economic actors in fragmented economies, cognitive obstacles to cooperation, and particularly the obstacles of entrepreneurial discovery and social fragmentation, must be studied jointly with classic collective action problems: for cooperation to emerge, both types of obstacles must usually be addressed, albeit in a sequential way.

### 1.5.2 Leadership and institutional change

Ostrom argues that for cooperation to emerge where it was previously absent, two requirements must be satisfied at the same time: firstly, a particular set of local conditions must be in place; and secondly, the actors involved must operate within a facilitative overarching institutional framework (1990: 137-142).

However, the nature of the local conditions that can enable the supply of local-level formal and informal cooperative institutions remains quite unclear in the literature. My thesis argues that for the aforementioned obstacles to be overcome and for sustained cooperation to be generated in unfavourable settings, the crucial variable is leadership. A small group of boundary-spanning leading actors can act as catalysts for triggering a process of local-level institutional change towards a cooperative equilibrium by performing three difficult and costly types of institutional work, a concept defined in the management literature as “the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions” (Lawrence *et al.* 2009: 1). Firstly, the leading actors must introduce informal and formal local-level cooperative institutions, as well as generate conceptions of shared interest among local actors by projecting a vision about shared prosperity via cooperation. Secondly, they must disseminate new ideas about collective entrepreneurial strategies. Thirdly, they must provide ways to cover part of the upfront costs of cooperation, which are often substantial. In the absence of



leadership, these three types of necessary institutional work cannot be performed endogenously in low-cooperation areas.

My argument about leadership builds on Crouch's (2005) work on "institutional entrepreneurs". Nevertheless, I use the terms "leadership" and "leading actor" because they connote both the idea of a pioneering actor "influencing others within a given context", and the notion of the leader being "a person of eminent position and influence", in other words someone who possesses an asymmetric degree of power, resources or information relative to others (Oxford English Dictionary 2020). Although the idea that cooperative institutions can arise in the presence of inequalities is controversial, I argue that without taking into account the institutional work performed by a few disproportionately well-endowed and well-positioned actors, it is difficult to account for the emergence of cooperation in unfavourable settings. At the same time, I use the term "leadership" rather than "hierarchy" because the concept of "hierarchy" implies a degree of inequality in power – defined here, following Farrell, in terms of "the options that actors have should they fail to coordinate" (2009: 142) – that renders weaker parties entirely dependent on the stronger ones. If the weaker parties in the settings in question had no outside options than to work with the stronger parties, then the relation between the two would be governed through the mechanisms of control and coercion; cooperative institutions would be unnecessary (Hancké 1998: 239). Nevertheless, in fragmented economies with many small firms, all actors typically have outside options, and indeed, in settings that are unfavourable to cooperation, the default option is typically to defect. As a result, regardless of any power differentials, the stakeholders studied here are bound by "relations of mutual dependency", making the study of trust and cooperation relevant (Lorenz 1988: 197).

### 1.5.3 Leading actors as in some way outsiders

What type of actors would undertake the costly institutional work necessary to catalyse change towards a cooperative equilibrium in an unfavourable setting?

My dissertation argues that successful leading actors have three characteristics. Two of those characteristics correlate with certain features of place, while the third is to a large extent randomly distributed. Firstly, actors are best placed to innovatively recombine elements of diverse institutional frameworks and bring about institutional change if they are in some way outsiders to the area, whether they are locals with significant translocal experience or non-locals who have moved into a place. Moreover,

potential leading actors are best placed to know about and be able to access diverse types of resources to subsidise the upfront costs of cooperation if they possess a high degree of know-how and belong in networks characterised by high linking social capital, i.e. if they have a set of analytical and information-gathering skills, on the one hand, and sets of ties and acquaintances with a range of political and economic elites, on the other (Hurrelmann *et al.* 2006: 223). Actors with these two characteristics are more likely to be found in places with many translocal links and high educational attainment in the population. Thus, unlike the portrayal of cooperation in some studies as an outcome that can be facilitated by homogeneity and stability, I suggest that it is the combination of diversity and social mobility that create the most favourable conditions for positive local-level institutional change.

However, it is clear that not all highly skilled, translocally embedded outsiders become catalysts for cooperation, let alone catalysts for cooperation in fragmented rural economies: in fact, few do. Successful leading actors also need to have a strong motivation to engage in the costly institutional work required to trigger cooperation. I argue that most leading actors are motivated either by a broad conception of their self-interest, which leads them to believe that they can only succeed as entrepreneurs if the local sector in which they belong succeeds as a whole, or by altruism towards other members of the local community, which is a type of other-regarding preference. The extent to which actors have a broad conception of self-interest as well as other-regarding preferences is an individual attribute that cannot be reduced to the characteristics of place. This introduces an important stochastic element in the geographical distribution of potentially successful leading actors.

#### 1.5.4 Combining micro- and macro-level analysis: the role of facilitative overarching institutions

The strategies that a small group of boundary-spanning leading actors follow to reshape the rules, norms and habitual ways of doing things at the local level, are nested within broader, overarching institutional frameworks which can facilitate or hinder local-level efforts to catalyse cooperation. The final part of my dissertation's argument proposes a framework for analysing what role macro-level overarching institutions play in local-level processes of institutional change, by sometimes providing to local actors the tools that they need to catalyse cooperation, and other times exacerbating the obstacles to cooperation that the local stakeholders face.

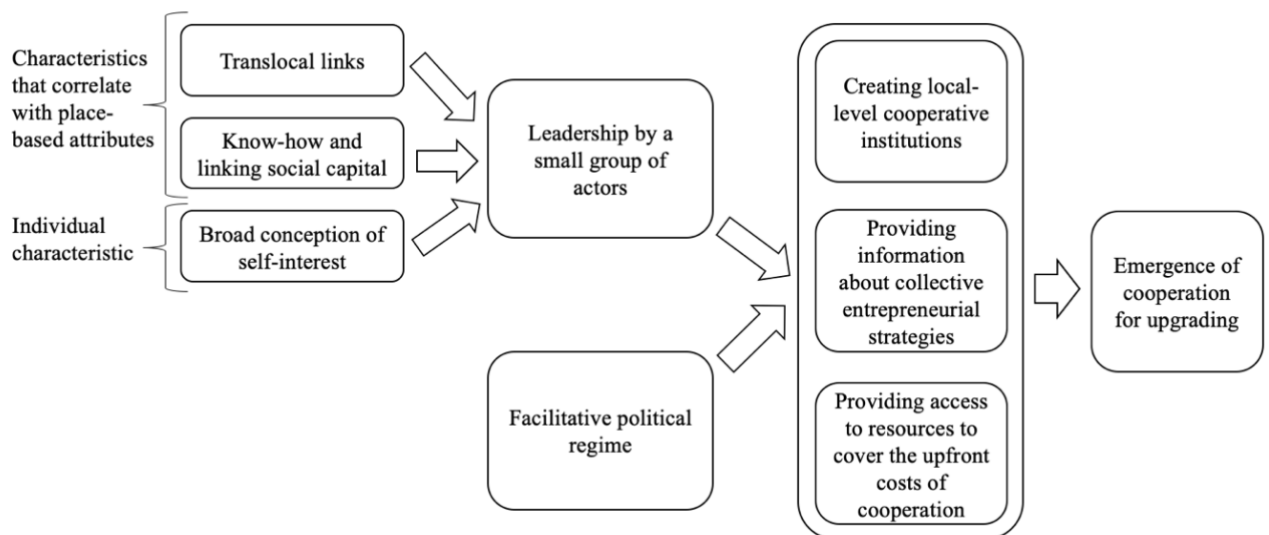
In particular, following Ostrom, I argue that overcoming the obstacles to cooperation is considerably easier in the presence of a “facilitative political regime” (1990), i.e. an overarching institutional framework which facilitates cooperation by creating arenas for decision-making and dispute resolution, reducing the costs associated with enforcing local rules, and offering technical assistance for the management of the collective good.

But how can local actors have access to a facilitative political regime if they are located in an unfavourable setting that does not have robust formal institutions? I argue that crucially, facilitative overarching institutions can be made available not only at the domestic level, but also by supranational institutions and even by private certification agencies. In many ways, the EU’s Common Agricultural Policy (CAP) currently functions as a facilitative political regime in the agri-food sector, as several aspects of its regulatory framework and system of subsidies empower producers and firms to overcome the obstacles to cooperation. A facilitative overarching sectoral framework of a similar type is lacking in the tourism sector, making it considerably more difficult for local actors to overcome the obstacles to cooperation in that sector. By combining analysis at the macro- and micro-levels to examine the implications of sectoral policies for the prospects of local cooperation, I propose a novel angle from which to study how the “transnational integration regimes” that govern trade arrangements among countries (Bruszt and McDermott 2012) have the potential to reshape domestic institutions and foster local economic development.

Overall, overcoming the obstacles to cooperation in unfavourable settings requires costly action by a small group of boundary-spanning actors who operate in the framework of facilitative political regime which may, at least in part, be externally provided. In the absence of local-level leadership, no type of overarching institutional framework can successfully impose cooperation on local actors. In the absence of a sectoral framework that is at least to some degree facilitative, the obstacles to cooperation will be too great for a small group of leading actors to overcome. Jointly, the institutional work of a few leading actors and the tools provided by facilitative overarching institutions will suffice for local-level cooperation to emerge in places where it did not previously exist. I expect this mechanism for the emergence of cooperation among local economic actors to be available as long as no gravely unfavourable inhibiting factors are in operation, such as a civil war or the presence of organised, violent criminal networks with an interest in perpetuating the non-cooperative status quo, which would pose

insurmountable obstacles to positive, local-level institutional change in a cooperative direction. Moreover, I would expect the importance of the argument outlined here to be smaller, the more effective the state institutions, and the more deeply ingrained the cooperative norms that characterise a location, though even in settings with robust institutions and ingrained cooperative norms, the mechanism described in my dissertation can be expected to have some applicability. Nevertheless, in the many settings with fragmented ownership structures that fall within those scope conditions, the path to cooperation outlined here should be available to local actors, and should be of substantive importance for our understanding of the political economy of local development. Figure 2 below summarises the argument of the dissertation.

**Figure 2: Overview of the argument**



## 1.6 Structure of the dissertation

Each of the aspects of the argument outlined above are developed in turn in Chapters 2, 3, 4 and 5 of the dissertation. Chapter 2 analyses the nature of the obstacles to cooperation that economic actors face in fragmented economies. Chapter 3 shows that those obstacles can be overcome in unfavourable settings, but only if a small group of boundary-spanning leading actors perform three crucial types of institutional work. Chapter 4 argues that this small group typically contains actors who are highly skilled, highly connected and in some way outsiders to the locality in question, and whose conception of self-interest encapsulates the interests of other local actors. Chapter 5 introduces a second, macro-institutional level to the analysis, and investigates the effects

of national and supranational overarching sectoral frameworks on the prospects of local-level cooperation. All four chapters begin with a brief theoretical discussion, and substantiate the aspect of the argument that they focus on through a detailed comparative analysis of the dissertation's four pairs of Greek case studies.

Having developed the dissertation's main arguments in Chapters 2-5, Chapter 6 turns to the question of whether the findings from Greece can also shed light to the emergence of cooperation in different geographical locations. Utilising original empirical material and published case studies from the Southern Italian and Central and Eastern European contexts, the chapter argues that the path to cooperation described in earlier chapters also seems to be available to actors operating in unfavourable settings beyond Greece. As a result, a good case can be made that the dissertation's relevance extends to other institutionally thin, low-trust settings with fragmented ownership structures, though ultimately, precisely how far the argument travels remains an open empirical question. Finally, Chapter 7 concludes with an overview of the dissertation's findings and a discussion of the dissertation's implications for both theory and policy.

# CHAPTER 2

## OBSTACLES TO COOPERATION

### 2.1 Collective action problems and cognitive obstacles to cooperation

During my fieldwork on the island of Lemnos, I was surprised to find a remarkable degree of consensus among stakeholders in the wine sector that what would really guarantee success in the long-term was not individual promotion efforts: “the most important thing is to create lovers of Lemnos” (interview #85). Viewed from that angle, generating cooperation for joint marketing efforts among the island’s eight wineries almost seems like an open goal. And yet “there are no collective actions” to that end, “neither formal nor informal” (interview #79). Why?

Despite the potential benefits that firms and producers can gain by cooperating rather than acting alone, even the most economically sensible forms of cooperation often appear beyond reach. But precisely what is the nature of the obstacles to cooperation that economic actors face? Addressing this question is a necessary first step for understanding which types of solutions would enable the emergence of cooperation in particular places.

There are broadly two ways to approach the question. On the one hand, political economists often assume that economic actors aim and have sufficient cognitive capacity to engage in best-response maximization, i.e. that they operate in a framework of substantive rationality (Ferguson 2013: 11). From this theoretical starting point, political economists use game theory to analyse a range of collective action problems, where “the individual pursuit of self-interest generates socially undesirable outcomes” (Ferguson 2013: 4). On the other hand, sociologists, among others, challenge the assumption of substantive rationality, and argue that boundedly rational actors, who may not realise that cooperation can be beneficial and may be unaware of the full range of alternative strategies that are in theory available to them, rely on heuristics rather than calculative processing to make decisions (Uzzi 1997: 45; Ferguson 2013: 12). Those heuristics may relate both to the actors’ assessment about the best available economic strategies in their sector, and to their expectations about the degree of commonality of their interests with those of other actors. The main challenge is to trigger a process of change in the relevant actors’ mental models, such that they overcome a series of cognitive obstacles to cooperation.

While these two approaches are sometimes presented as incompatible with each other (e.g. see Sabel 1993: 1142), the main argument of this chapter is that both must be employed to understand the types of obstacles that economic actors face in the field, but they apply in different situations. Specifically, the resolution of cognitive obstacles to cooperation must occur *prior* to the incidence and resolution of collective action problems. Until the actors acquire a basic understanding of the different strategies that are available to them and the payoffs associated with each, collective action problems remain inert; however, once the actors start operating within a problem-complexity boundary where the costs and benefits associated with different strategies can at least be estimated (Ferguson 2013: 122; North 1990: 23), collective action problems become manifest and require resolution. This argument is consistent with a “broad conception of rational action” (Ostrom 1990: 37), in which economic actors take decisions based on a calculation of the costs and benefits of different strategies, but at any moment in time may face high degrees of uncertainty about the nature of those costs and benefits.

The chapter is organised as follows: in the rest of this section, I describe the difference in the kinds of obstacles to cooperation that can be usefully analysed from a substantive rationality and a bounded rationality perspective, and I present in more detail four types of collective action problems and two types of cognitive obstacles that the literature leads us to expect economic actors may face in the field. In the following four sections, I show empirically which types of obstacles apply in which types of field settings. I argue that in cases of radical innovation, cognitive obstacles, including problems of entrepreneurship and social fragmentation, must be resolved before collective action problems even arise. On the other hand, when it comes to more incremental types of innovation, where the payoffs of different strategies are clearer to the actors involved, collective action problems act as a direct and immediate obstacle. The relevant collective action problems vary by sector. In the agri-food sector, where upgrading requires vertical cooperation along the supply chain, hold-up problems pose a major challenge. In the tourism sector, which is characterised by pervasive horizontal externalities among firms, coordination and public-good provision problems constitute the major concern. Distributional conflicts can emerge in both sectors. A set of contextual features make it particularly difficult to resolve those cognitive obstacles and collective action problems in the Greek setting.

### 2.1.1 Two types of obstacles to cooperation

Based on the complexity of a situation and the cognitive ability of the relevant actors to grasp the main contours of the full range of alternative strategies that are available to them, it is useful to distinguish between two types of obstacles that may prevent potentially mutually beneficial forms of cooperation from emerging.

On the one hand, in many situations, actors are aware that cooperation can be beneficial. They also know that they and other actors can choose to follow specific cooperative and non-cooperative strategies, and even if they cannot always precisely calculate the payoffs associated with different combinations of strategic choices for themselves and for other actors, they can usually at least estimate them. Such situations can be usefully analysed adopting a substantive rationality approach, which assumes “goal-oriented behaviour with sufficient cognitive capacity to engage in best-response maximization” (Ferguson 2013: 11). In other words, in a substantive rationality framework, actors have the cognitive capacity required, relative to the degree of complexity of the environment that they find themselves in, to allow them to “maximize expected utility or profits” (Ferguson 2013: 115). Best-response maximization can occur not only when all actors possess perfect information, but also in the presence of imperfect information, where the relevant actors engage in probabilistic risk analysis. Indeed, best-response maximization can even take place in the presence of at least some types of incomplete information, such as the information asymmetries observed in adverse selection and moral hazard problems. Under some circumstances, such hurdles can be overcome through the adoption of commitment and internal enforcement mechanisms. In the remainder of this dissertation, when I refer to collective action problems, I do so in a framework of analysis that is based on substantive rationality.

On the other hand, “outside the confines of a narrow problem-complexity boundary”, cognitive constraints may lead the relevant actors to “basic misinterpretations of the environment” (Ferguson 2013: 12, 115). The actors concerned may lack the cognitive tools required to imagine the potential benefits of cooperation, grasp the nature of the full range of strategies that are available to them and to other actors, and consequently also to make any kind of estimation regarding the likely payoffs associated with alternative strategies. In such cases, the actors face not just imperfect or incomplete information, but Knightian uncertainty, which implies that they “simply do not know the



probability distributions of important variables, rendering traditional risk calculus” – and therefore also best-response maximization – “impossible” (Ferguson 2013: 124).

Substantive rationality models cannot accommodate these kinds of high cognitive obstacles: instead, in such cases, a bounded rationality approach must be used. Boundedly rational actors remain goal-oriented, but rather than selecting the utility-maximizing response, they make decisions relying on heuristics, or “mental procedures that readily combine various inputs from current and prior experience to produce impressionistic judgements”. They thereby limit the number of options considered to a “manageable number” (Ferguson 2013: 12, 126). By interpreting “key categories, patterns, and cause-and effect relationships” using mental models that combine heuristics and proper cognition, the actors make decisions that may reflect “accumulated judgements derived from prior experience, cultural transmission, and education”, rather than the full picture of the available strategies and their implications (Ferguson 2013: 136). Situations involving cognitive obstacles are inherently dynamic, as the actors may discover new available strategies in time, engage in a process of “adaptive trial-and-error learning”, or pursue evolving goals (Ferguson 2013: 115). Those dynamic processes can be formally modelled using evolutionary and epistemic game theory, but doing so is beyond the scope of this dissertation. Nevertheless, I discuss extensively a specific set of cognitive obstacles to cooperation, which I consider crucial for understanding why potentially beneficial forms of cooperation can fail to emerge in the settings under consideration.

### 2.1.2 Collective action problems in the agri-food and tourism sectors

Game theory provides a set of very useful tools for understanding the nature of the obstacles to cooperation that economic actors face when the range of available strategies and the associated benefits and costs are relatively clear to them, as is often the case in economic exchanges.

Vertical cooperation along the supply chain is susceptible to hold-up problems, which arise when one party to an exchange is required to make investments in specific assets that later put her in a position of vulnerability to be “strategically held up”, i.e. to be stripped of part or all of the benefits of those early investments, by an opportunistic other party (Ferguson 2013: 13, 106-107; Sabel 1993: 1134; Lorenz 1988: 199). To use a typical example, product upgrading often requires a supplier to invest in specific assets, based on the promise of higher future returns by the firm that will sell the upgraded final goods. However, once the supplier has made the specific investment, which has more

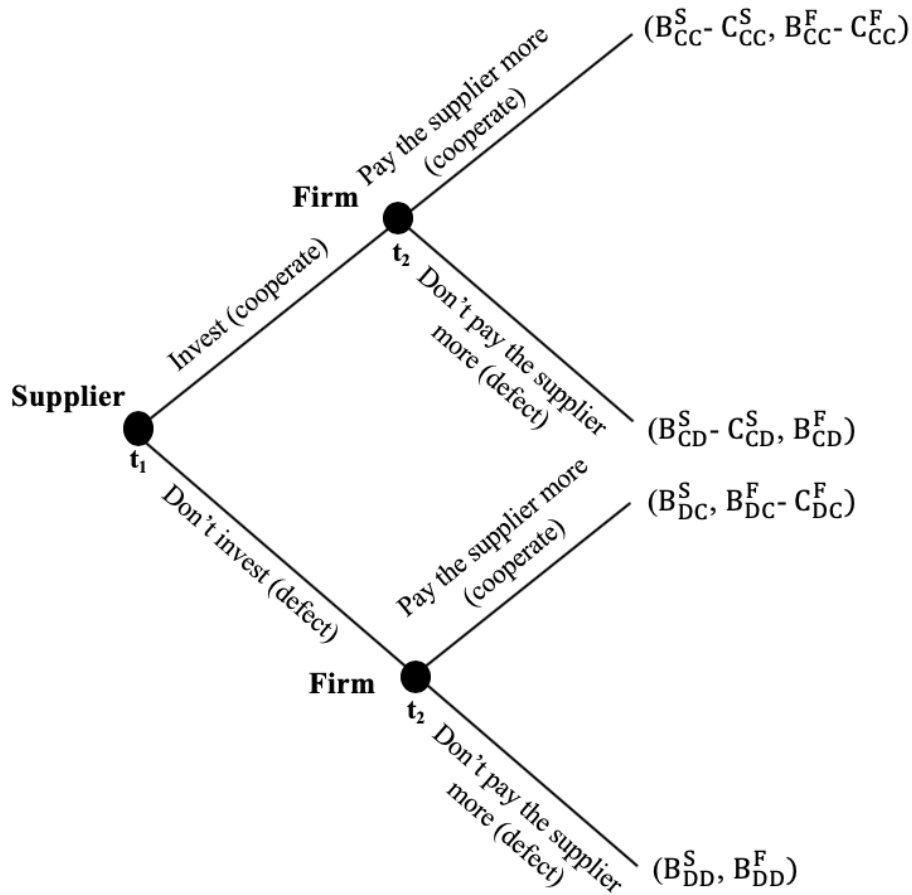
value inside the relationship with the firm than outside of it, the firm will have the incentive to renege on the initial agreement about the distribution of the increased income from the upgraded good, keeping a higher share for itself: “for example, after a supplier has purchased expensive equipment, its client may offer it only a low price” (Ferguson 2013: 13). Alternatively, after having enticed “a collaborator into dedicating resources to a joint project”, a firm may refuse “to dedicate the necessary complementary resources until the terms of trade are renegotiated in its favor” (Sabel 1993: 1134). Anticipating the risks associated with the time inconsistency of the final firm’s preferences, as well as the supplier’s loss of bargaining power once the specific investment is made, the supplier will be reluctant to make the investment required for upgrading in the first place. This situation is illustrated using a two-player sequential game in Box 1 (adapted from Ferguson 2013: 107). As a result of hold-up problems, economic actors will find it difficult to successfully implement quality improvements that require costly decisions to be taken upstream in the supply chain, based on promises of rewards that are removed in time, and whose realisation will depend on future decisions by downstream actors at a time when they will enjoy superior bargaining power. Such hold-up problems appear frequently upstream in the agri-food sector, as quality-improving investments in cultivation take time to bear fruit (McDermott 2007: 110), and producers cannot easily and quickly redeploy their assets to different uses (Chappuis and Sans 1999: 4).

On the other hand, horizontal cooperation among multiple firms in a sector is susceptible to problems arising from the disinclination of economic actors to bear the costs associated with strategies that have strong positive externalities for others. As illustrated using two-player games in Box 2, depending on the relative magnitudes of the benefits and costs of making an additional positive contribution to a collective strategy, one can usefully distinguish between two types of related problems. The first is a public-good provision problem, where the share of the benefit of making an additional contribution that can be captured by each player is so small compared to the cost, that the dominant strategy of the player is always to defect, regardless of the other player’s strategy (Prisoner’s Dilemma game). As famously pointed out by Olson (1965: 9-15), in large groups, individual contributions to a good shared among all group members are so small that they are barely noticeable: as a result, rather than incurring a cost to contribute to the public good, each individual has the incentive to free-ride on others’ contributions, leading to underinvestment, or – in the extreme case – to the non-supply of the public good.

A distinct problem arises in situations where the adoption of the cooperative strategy by additional actors has increasing marginal returns, such that in a two-player game, a player can benefit by cooperating, but only as long as the other player also cooperates (assurance game) (Ferguson 2013: 30). In such a game, the combinations {cooperate, cooperate} and {defect, defect} are both Nash equilibria. Therefore, even though the cooperative equilibrium is stable, breaking away from an uncooperative equilibrium is challenging. In multi-player games with positive network externalities, there is a tipping point such that once a threshold number of players have decided to cooperate, cooperation becomes the dominant strategy. However, until that critical mass of cooperating players has been reached, each individual player has the incentive to defect (Ferguson 2013: 39). Both public-good provision and coordination problems are particularly acute in the tourism sector, where place characteristics play an important role in shaping the clients' experience, resulting in major spatial externalities among tourism firms when property structures are fragmented (Gordon and Goodall 2000: 291; Healy 1994: 597).

Finally, in both cases of vertical and horizontal cooperation, economic actors may face distributional conflicts that arise when multiple cooperative strategies are available, but the choice of cooperative strategy affects the distribution of the payoffs from cooperation. This problem can be illustrated with a battle-of-the-sexes game (Box 3), where both players have an interest in adopting the same cooperative strategy, but if each player insists on coordination on their preferred strategy, a zero-payoff outcome may arise (Ferguson 2013: 32). Distributional conflicts can also arise as part of more complex challenges, such as common-pool resource management, which requires addressing similar free-rider problems as those which arise in public-good provision, but it also requires resolving distributional conflicts among the involved actors. Unlike public goods, common-pool resource settings are characterised by rivalry: the use of a common-pool resource by one actor reduces its availability to others. As a result, in addition to resolving free-rider problems, addressing common-pool resource overuse requires brokering an agreement among the actors concerned about how to share the costs of decreasing the consumption of the common-pool resource. Clearly, the terms of such agreements have major distributional implications.

**Box 1: Hold-up problem between a supplier and a firm**



Notation:

**Benefit or Cost** of the Supplier or Firm when the supplier Cooperates or Defects, and the firm Cooperates or Defects

Conditions:

1.  $B_{CD}^S - C_{CD}^S < B_{DD}^S$  and  $B_{DC}^F - C_{DC}^F < B_{DD}^F$   
 i.e. if one player defects, it is better for the other player to defect than to cooperate
2.  $B_{CC}^S - C_{CC}^S < B_{DC}^S$  and  $B_{CC}^F - C_{CC}^F < B_{CD}^F$   
 i.e. if one player cooperates, it is better for the other player to defect than to cooperate
3.  $(B_{CC}^S - C_{CC}^S) + (B_{CC}^F - C_{CC}^F) = (B_{CD}^S - C_{CD}^S) + B_{CD}^F > B_{DC}^S + (B_{DC}^F - C_{DC}^F) = B_{DD}^S + B_{DD}^F$   
 i.e. the socially optimal outcome in the game is reached as long as the supplier chooses to upgrade, regardless of the strategy pursued by the firm at  $t_2$ . What the strategy of the firm determines is the distribution of the surplus of the final good sold by the firm.

**Box 2: Coordination in situations with increasing returns and provision of public goods**

|        |           | Firm B                 |                   |
|--------|-----------|------------------------|-------------------|
|        |           | Cooperate              | Defect            |
| Firm A | Cooperate | $b(2)-c(2), b(2)-c(2)$ | $b(1)-c(1), b(1)$ |
|        | Defect    | $b(1), b(1)-c(1)$      | 0, 0              |

Notation:

$b(n)$  = each player's benefit from the provision of a public good as a function of the number of contributors  $n$

$c(n)$  = each player's cost of contribution to the provision of a public good as a function of the number of contributors  $n$

Assumptions:

$$b(2) \geq b(1); c(1) \geq c(2)$$

Public-good provision problem (Prisoner's Dilemma game) - conditions:

1.  $b(1)-c(1) < 0$

i.e. the returns to a single contribution are negative. If one player defects, it is better for the other player to defect.

2.  $b(2)-c(2) < b(1)$

i.e. there are large costs to the second contribution, such that if one player cooperates, it is better for the other player to defect.

3.  $2[b(2)-c(2)] > 2b(1)-c(1)$

i.e. mutual contribution generates higher total payoffs than a single contribution.

This game has one Nash equilibrium at D,D.

Coordination problem (assurance game) - conditions:

1.  $b(1)-c(1) < 0$

i.e. the returns to a single contribution are negative. If one player defects, it is better for the other player to defect.

2.  $b(2)-c(2) > b(1)$

i.e. there are large gains to the second contribution, such that if one player cooperates, it is better for the other player to cooperate.

This game has two Nash equilibria at C,C and D,D.

Source: Ferguson 2013: 27-30

**Box 3: Distributional conflict (battle game)**

|        |                         | Firm B                 |                         |
|--------|-------------------------|------------------------|-------------------------|
|        |                         | Cooperate (Strategy i) | Cooperate (Strategy ii) |
| Firm A | Cooperate (Strategy i)  | $P_i^A, P_i^B$         | 0, 0                    |
|        | Cooperate (Strategy ii) | 0, 0                   | $P_{ii}^A, P_{ii}^B$    |

Notation:

**Payoff** of firm A or firm B as a result of coordinating on cooperative strategy i or cooperative strategy ii

Conditions:

1.  $P_i^A > 0, P_i^B > 0, P_{ii}^A > 0$  and  $P_{ii}^B > 0$   
i.e. both firms benefit from coordinating on the same strategy.
2.  $P_i^A > P_{ii}^A$  and  $P_{ii}^B > P_i^B$   
i.e. firm A benefits more from coordination on strategy i compared to coordination on strategy ii, while firm B benefits more from coordination on strategy ii compared to coordination on strategy i.

This game has two Nash equilibria at {i,i} and {ii,ii} respectively. Both equilibria are also social optima, but the choice of equilibrium has distributional consequences for the firms.

**2.1.3 Cognitive obstacles to cooperation: The problems of entrepreneurial discovery and social fragmentation**

As will be shown in the next sections of this chapter, economic actors in field settings are often aware of the full range of strategies that are available to them and face collective action problems such as those outlined above. Nevertheless, the marginalist theoretical framework<sup>3</sup> used in the analysis of collective action problems cannot account for the cognitive obstacles encountered in the pursuit of relevant cooperative activities in the field, as it cannot accommodate problems related to Knightian uncertainty, which is a fundamental attribute of processes of innovation (Crouch 2005: 90).

One of the most important cognitive obstacles to cooperation has to do with entrepreneurial discovery. Indeed, economic actors typically have major knowledge gaps regarding the goods and services demanded in far-away markets (Shane 2000: 449-450). Habituated to specific production methods, producers and firms in particular places may

<sup>3</sup> I use the term “marginalist theoretical framework” to refer to an analytical framework that focuses on decision-making based on calculations about marginal costs and benefits.

fail to conceive of alternative, higher value-added cooperative strategies, or may be unable to correctly calculate the associated expected payoffs. After all, in a bounded rationality framework, the heuristics that actors utilise in their decision-making “tend to include strategies that arise repeatedly in [their] prior experience, ones that they often hear about, or strategies for which good circumstances are otherwise relatively noticeable” (Ferguson 2013: 134). What is more, “as compared with uncertain benefits and costs extending over time, upfront transformation costs are easier to calculate and sometimes are substantial” (Ostrom 1990: 208-209). Economic actors may pay more attention to easily calculable, immediate costs than to fundamentally uncertain benefits that they might enjoy at some point in the distant future. As a result, “firms, particularly with limited resources and backward traditions, are less likely to invest in new capabilities (...) because of the uncertainty of future returns and the experimental process itself” (McDermott 2007: 111; see also Ferguson 2013: 134). Entrepreneurial discovery is hence an important challenge, which must often be addressed before cooperation for upgrading can begin to take place.

The proposition that processes of entrepreneurial discovery should be studied jointly with collective action problems may at first appear odd, as these two types of problems are usually studied separately. Nevertheless, studying those problems jointly makes theoretical sense. Even within a single sector and a single case of upgrading, some cooperative activities may be characterised by a high enough degree of problem complexity to require entrepreneurial discovery, while other activities may be purely a matter of resolving collective action problems. Ostrom’s study of the management of groundwater basins in California (1990, chapter 4) provides a good illustration of this argument. *Governing the Commons* mostly focuses on the nature of the rules adopted by appropriators of common-pool resources to resolve collective action problems leading to overextraction. Nevertheless, a close reading of Ostrom’s Californian case study reveals that understanding the physical attributes of the groundwater basins and discovering, following a series of experiments funded by local sources, that it was “technically and economically feasible” to build a freshwater barrier to prevent saltwater intrusion, were both crucial steps in the process of ensuring the long-term sustainability of the groundwater resources in the basin. Indeed, the producers’ previous efforts to resolve the problem by limiting water use were important but had not sufficed for providing a durable solution (1990: 115-128). Similarly, in order to understand the supply of cooperation for upgrading, the study of collective action problems cannot be entirely separated in

analytical terms from the study of entrepreneurial discovery: both are relevant. The relative importance of cognitive obstacles to cooperation can be expected to be greater, the more radical the innovation associated with the cooperative strategy.

Apart from the difficulties associated with entrepreneurial discovery, scholars of social networks and participatory governance point to social fragmentation as another reason why boundedly rational actors may fail to correctly assess the benefits and costs of cooperative strategies. Social fragmentation can generate subjective perceptions of unbridgeable differences in strategy and mentality even in situations where objectively, a cooperative strategy could pay off. Indeed, depending on “how the boundaries of a particular community are drawn”, members of particular social groups may be totally oblivious to their shared interests with members of other groups: it is only through a process of “coming to a common, and generally surprising view of an economic situation which each thought it had understood fully, [that] mutually suspicious groups can redefine their relations and (prudently) begin to construct communities of interest (...) where none had seemed possible” (Sabel 1993:1139, 1149). In other words, social fragmentation may not only inhibit the resolution of collective action problems at a particular location, but more fundamentally, it may also cloud the actors’ assessment of the costs and benefits of alternative strategies, acting as a cognitive obstacle to cooperation. Consequently, for McDermott, the fundamental obstacle that needs to be overcome for upgrading to take place is the “balkanization” of society in contexts where the bonds within specific social groups are so strong that they become “self-limiting and exclusionary” (2007: 107; see also Granovetter 1993: 1378; Streeten 2002: 12; Meadowcroft and Pennington 2008: 123; Ferguson 2013: 271-275). This view is also supported by Richard Locke’s study on the subnational variation of economic performance in Italy, which concludes that “polarised” local economies consisting of “a small number of more parochial and organizationally underdeveloped interest groups and associations usually clustered together in two opposing camps”, are much less likely to prosper than “polycentric” economies, which lack such salient divisions (1995: 25-28).

Taken together, the four types of collective action problems and two types of cognitive obstacles to cooperation discussed in this section provide a useful analytical framework for examining what factors may prevent the emergence of cooperation for upgrading in the agri-food and tourism sectors. The remaining sections of the chapter discuss how these obstacles manifested themselves in different sectoral settings, and how they were magnified by a set of Greek-specific contextual features.



## **2.2 Upgrading in the agri-food sector: hold-up problems and distributional conflicts in low-trust, competitive contexts**

### **2.2.1 Hold-up problems in a context of mistrust towards entrepreneurs and the state**

The importance of hold-up problems between producers and final firms in the implementation of quality improvement efforts already became readily apparent during my preliminary fieldwork in the Bläuel network of olive oil producers in Mani. Fritz Bläuel arrived to Mani from Austria in the 1980s, and soon he decided to start producing olive oil organically. Having no land or capital of his own, Bläuel entered into discussions with local olive producers in order to form an organic olive oil network. Convincing the producers to join him was no easy task (interview #2), as producing olive oil organically required taking an immediate hit in the form of lower yields, based on the promise of a higher future return when the organic transition period would end. In a market where Bläuel was the only buyer of organic olives, this situation generated a suspicion that once the olive producers had put in the effort to convert their cultivation according to organic standards, Bläuel would renege on his commitments. This was an issue particularly given a general climate of “suspicion of the merchant” in Greece – “the farmers even hate him because it’s so easy for him to make money, whereas they have to work hard in the fields all day”. This suspicion was exacerbated by attempts to discredit Bläuel, for instance by the representative of the ministry’s agronomy department responsible for spraying the olive trees with chemicals, who “would come and tell the farmers that I was lying”. Indicatively, Mr. Bläuel describes how one of his initial attempts to establish a network of organic producers failed after he accused one producer of having secretly used synthetic fertilizers and expelled him from the network. This led other producers to doubt Bläuel’s reliability, and the entire network unravelled (interview #1).

In fact, according to two interviewees in the management boards of olive oil cooperatives in Crete and Chalkidiki, following past instances where the cooperatives failed to pay promised sums of money to their members, the olive producers are hesitant to even deliver conventional olive oil to cooperatives, let alone undertake risky investments on the promise of future reward: “when someone hears the word ‘cooperative’ in Greece, their mind goes to clientelistic relations and mismanagement – reality has generated this association. ‘Cooperative’ is a bad word, like ‘unionist’” (interviews #5, #9). This observation introduces the history of clientelistic dealings and over-indebtedness in agricultural cooperatives as a key reason for the lack of generalised

trust in the Greek agri-food sector, which makes hold-up problems particularly salient, as producers are accustomed to expecting the buyers of their products to renege from agreements.

### 2.2.2 Hold-up problems as a function of the changing bargaining power among producers and firms

In the same context of widespread suspicion towards both private enterprise and real or imagined clientelistic backroom deals, in the late 1980s and 1990s, when Santorini's wine sector started to upgrade, the island's grape producers were very hesitant to undertake even minor costs to contribute to future quality improvement efforts. One of the requirements of the upgrading process, introduced by private winemaker Boutaris who had just arrived at the island, was to shift the timing of the harvest earlier by a month, from September to August. This change was necessary in order to produce lower-degree, lighter wines from Santorini's Assyrtiko varietal, but it entailed a cost. The cost had to do with the emergence of "a conflict in the intra-household division of labour", as the harvest now coincided with the peak tourism season (Vlahos *et al.* 2016: 7/ S7), and with a reduction in the weight of the grapes:

“[When Boutaris changed the harvest rules], initially he was treated with big suspicion, because the low-degree grapes weigh less. So the producers thought that he's moving up the harvest in order to pay for fewer kilos and give less money, whereas in reality it had to do with the quality of the wine.” (interview #30)

The issue had been discussed in the General Assembly of Santorini's obligatory wine cooperative (known as the Union), where opinions about the extent of the weight loss implied by early harvest varied, with the representative of the Boutaris winery claiming that the difference was 2 percent, and the Union's agronomist saying “that there are no scientific data, but from my experience since 13 years here, the difference must be 10 percent, depending of course on the year”. As mentioned by one of the producers' representatives in the same meeting, the view of many was that “I would like the Union to determine the dates of the harvest with its agronomist and not with foreigners” (Act 117, Jul. and Aug. 1989/ D5).

This view reflected the scepticism with which Boutaris had been greeted by Santorini's grape producers, which is remarkable particularly if one considers that Boutaris arrived on the island at a time when the cooperative faced major difficulties to find buyers for its wine and had large quantities of unsold reserves. According to a local

oenologist, “the worries peaked in 1983-84, when the queues for the receipt of the grapes were unending. (...) It was apparent that the Union was in despair” (*Thiraïka Nea*, Sept. 1988, 380/ N3). Nevertheless, as was stated by two producers’ representatives in the Santo Wines General Assembly,

“nearly no Santorinian viticulturers have seen the cooperation of the Union with Boutaris positively, and wherever you go, they are criticising the Union for that reason. I believe that Boutaris didn’t come to Santorini to save the Santorinians, but to save his pocket.”

“The cooperative should offer Mr. Boutaris a price that is in the interest of the producers, and if it seems expensive to him, he should act accordingly. Let all the producers understand that Mr. Boutaris came to Santorini so that they work while he makes money. If it’s not in his interest, he should close down his factory and leave.”

(Santo Wines General Assembly meeting minutes, Act 117, Jul. and Aug. 1989/ D5)

This climate of suspicion presented an obstacle to the implementation also of other costly, quality-improving measures, such as vineyard restructuring, which, similarly to organic olive cultivation, imposes an immediate cost in return for the promise of a future reward: “when new plants are put in, they have a full fruit yield five years later” (interview #84; see also Vlahos *et al.* 2016: 7/ S7).

The pervasive suspicion of clientelism, ulterior political motives and mismanagement also made Santorini’s producers hesitant to agree to major quality-improvement investments by the wine cooperative, which they would partly pay for via a levy per kilo of grapes delivered to the cooperative (Santo Wines General Assembly meeting minutes, Act 114, Mar. 1988/ D5). In particular, when it came to the construction of the cooperative’s new, modern winery, which in hindsight was a milestone investment for the upgrading of Santorini’s wine sector, “there was a lot of reaction, [the producers] thought that a lot of money is being spent for no reason” (interview #36; similar comments were made in interview #29). These inhibitions must be read in the backdrop of a widespread perception that past investments had at best been “useless”, and at worst were done for particular individuals to gain rather than for the long-term benefit of all the members of the cooperative (Santo Wines General Assembly meeting minutes, Act 117, Jul. and Aug. 1989/ D5). It is interesting that despite the success of Santorini’s wine sector, such perceptions continue to persist among some producers:

“Like everywhere in Greece, here everything is measured in terms of votes, and the cooperatives don’t act in the producer’s interest. The whole edifice is

rotten and it doesn't change easily. (...) Everything is prearranged, rigged, agreed upon with the ministries.” (interview #31)

“-[Me:] What is the role of the wine cooperative? –[Interviewee:] To eat.” (interview #32).

As is frequently the case also in other sectors, when it comes to quality improvement in the agri-food sector, asset-specific investments and the attendant hold-up problems do not only arise on the side of producers, but they also affect final firms. As firms invest to upgrade and market a product from a particular locality, their ability to substitute the inputs by their suppliers with other inputs declines, transforming “a situation of *ex ante* competitive supply” to a “bilateral monopoly” (Lorenz 1988: 200). The prospect of being strategically held up by local producers in the future may deter firms from investing on making local products known in the present. The following conversation among members of the management board of a Chalkidiki table olives cooperative exemplifies how such a situation may arise:

“- Speaker A: If we don't receive higher prices for our olives this year, we will decrease quality and we will send our olives for olive oil production. This would also ruin the merchants, since they have multiannual contracts with their clients.

- Speaker B: I don't think it would ruin the merchants – they will always be able to find olives from elsewhere.

- Speaker C: Where else will they find them? If the merchants cannot find olives from Chalkidiki, they will be ruined.” (interview #5)

In other words, a calculation on the side of the olive producers that they can exploit the final firms' dependence on them to reap distributional gains, may subject the firms to pressure to increase their payments to producers, perhaps beyond what they had originally anticipated.

Such pressure on the final firms is more effective, the greater the market success of the local product. Given the producers' initial hesitation to invest in the quality improvement effort, this is in a way paradoxical. Nevertheless, the growing bargaining power of the producers as a local product succeeds can be seen clearly in the evolving relations among grape producers and wineries in Santorini. When Boutaris first arrived on the island, the producers did discuss threatening Boutaris to stop supplying him with grapes if he did not provide them with the prices they were asking for: as was mentioned in the cooperative's General Assembly, “fortunately or unfortunately, we are in a position where Boutaris exists, and it depends on us whether he will survive or not” (Act 117, Jul. and Aug. 1989/ D5). Nevertheless, in the context of the crisis that Santorini's wine sector

was facing at the time, those threats were not credible, as many individual farmers were keen to sell grapes to Boutaris outside the framework of the cooperative, and it would take an immense and unpopular enforcement effort to stop them from doing so. Today, however, given the incredible success of Santorini's wines and the small surface area of the island, producers are in a position to constantly negotiate increases in grape prices, as winemakers struggle to secure enough local inputs. In the words of a producer,

“If the wineries want to get grapes next year, they make sure to be OK with the payments. They are searching for me; I'm not searching for them. If the farmers understood things a bit better, they would be able to get even higher prices. (...) It's unacceptable for the winemakers to sell the bottle for €20 and tell us that that they make a loss.” (interview #31)

From the winemaker's perspective, the uncertainty about the quantity and price of the grapes that they will be able to secure next year constitutes a disincentive for “investing on the vineyard”: after all, one can't expect “the consumer to find a product on the shelf which he has associated in his mind with a value of €10, and within one year to change his mind and say it's worth €14; he will care” (interview #33).

The situation is different in Lemnos, where the grave financial problems of the wine cooperative and the consequent surplus of grapes relative to demand, stipulate that most producers are very eager to join the network of a private winery. As explained by a Lemnian winemaker,

“even this year, how many producers called us who said, for example, ‘I have 15 *stremmata*<sup>4</sup> of land, I am a good grape-grower, I want to enter your team.’ There are many grape-growers who knock on our door and want to enter. And we can't take all of them because our quantity is fixed.” (interview #79)

In this context, not only are producers unable to successfully hold up winemakers by refusing to sell them grapes unless they get better terms, but the winemakers' ability to strategically hold up producers does not constitute a real impediment to quality improvement either:

“[Me:] How easy is it to find grapes at the specifications that you wish? – [Winemaker:] It's extremely easy. It's the producers who are begging, they are begging to bring you grapes, you understand?” (interview #83)

The difference between Lemnos today and Santorini in the 1980s is that with the crisis of Greece's statist model of development in the late 2000s, the collapse of the Agricultural Bank, and the loss of the cooperatives' ability to accumulate large loans,

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<sup>4</sup> 1 *stremma* is equal to 1000 square metres of land.

Lemnian producers no longer have the alternative that Santorinian producers had when Boutaris arrived on the island, namely to “define a price of 70 drachmas/ kilo”, compared to Boutaris’s price of 60 drachmas, and to burden the cooperative “with a certain amount – of course it’s not just a certain amount, it’s several millions – in order to overcome the problem of Boutaris” (Santo Wines General Assembly meeting minutes, Act 117, Jul. and Aug. 1989/ D5). In other words, in the aftermath of the Eurozone crisis, the Lemnian grape producers no longer have a viable alternative to upgrading in order to prosper. This situation increases their dependence on private winemakers and reduces the obstacles to quality improvement on the island, but it also creates the potential for very skewed distributional outcomes – at least until the moment Lemnos wines become more successful, restoring the balance between the demand and supply of grapes and enabling producers to demand better terms from the wineries.

### 2.2.3 Distributional conflicts among wineries in Santorini and Lemnos

Even though hold-up problems do not impede quality improvement in the Lemnos wine sector in the same way that they do in places where producers have satisfactory alternative sources of income and higher bargaining power, other collective action problems do inhibit upgrading in the sector. After all, improving the quality of the wine is only one of the requirements for climbing the added-value ladder, while promoting the wine and entering new markets is also a necessary but costly process: “foreign markets are something you have to pursue, you have to spend substantial amounts of money to be able to appear in a market and to show consistency” (interview #78). While Lemnian winemakers agree that such an effort can realistically only succeed at the level of the island rather than by each winery separately (interviews #78, #79, #80, #85), strong distributional conflicts among wineries prevent them from agreeing on any strategy that could benefit some wineries more than others:

“Perhaps it’s a bit premature to go as five competitors to an exhibition and knock the same door, and say come, choose the best, we don’t mind. If you find a buyer, what will he tell you, that oh I’ll take an order with half his wines, and the other half yours? It’s not possible.” (interview #85).

The salience of such distributional conflicts must be understood in the context of intense competition in Greece’s crisis-ridden, shrinking domestic market for wine (interview #78):

“There is huge competition, a constant war out in the market. Even if you go in a shop in the morning and close an agreement, by lunchtime someone else

will have gone in and taken it from you. You leave from the appointment, you go back to your office thinking how nice, I closed the job, and by the time you cover the distance from the shop to the office, you've lost the job again.” (interview #85)

Distributional conflicts also pose an obstacle to cooperation among wineries in Santorini. Characteristically, winemakers have faced distributional conflicts in the design of joint marketing projects, as different project designs can benefit some types of wineries (small or large, mid-range or upscale) more than others (interviews #29, #34). Those conflicts are also aggravated by a competitive environment in Santorini, though in this case the competition stems from the scarcity of inputs: “it’s a super competitive situation, because at the end of the day, in August each producer must have money to be able to buy grapes” (interview #33; this point was also made in interviews #29, #30, #31, #32, #34, #37, #71, #72; see also Nikos Schmitt consulting firm 2019: 72/ S19). The tensions that are generated every year during the harvest season tend to spill over to all other areas of cooperation among winemakers on the island:

–[Winemaker:] We have this bug of our race, that we prefer for the goat of the neighbour to die, rather than to buy a goat ourselves. We’ve done common efforts for synergies at times, but things could be even better.

–[Me:] What obstacles do such efforts encounter?

–[Winemaker:] I’ll tell you. We have an issue with the raw material, the grapes are limited. This creates conflicts, and sometimes those conflicts create siloes. (...) These small weaknesses can impair a strong vineyard.” (interview #71)

The phrase that this winemaker uses – “we prefer for the goat of the neighbour to die, rather than to buy a goat ourselves” – captures well the lose-lose character of a failure to cooperate in the presence of distributional conflicts.

Overall, hold-up problems between suppliers and firms and distributional conflicts among final firms are two major obstacles to cooperation for upgrading in established agri-food sectors. These obstacles become harder to resolve in an atmosphere of suspicion towards both private enterprise and the state, which is pervasive in Greece, as well as a climate of intense inter-firm competition, which is more specific to particular sectors and locations. Nevertheless, economic actors in established agri-food sectors may also face some of the obstacles that are more dominant in other sectors, which will be analysed below. For instance, if the winemakers resolve their distributional conflict and decide to adopt a cooperative strategy (such as a joint marketing project) even though it may benefit some of them more than others, they will still face a public-good provision problem in

deciding how to share the cost of the cooperative strategy. Moreover, in cases where the upgrading effort is highly innovative – perhaps the first or one of the first equivalent attempts at upgrading in the relevant sub-sector nation-wide, as was the case both in the Bläuel network and in the Santorini wine sector – then the hurdle of entrepreneurial discovery must be overcome before the aforementioned collective action problems manifest themselves.

## **2.3 Upgrading in the mass tourism sector: the management of horizontal externalities and the role of social fragmentation**

### **2.3.1 Coordination problems in the mass tourism sector**

Some similar distributional conflicts to those described in the previous section, which can be modelled as a battle-of-the-sexes game, also arise in efforts to upgrade in the mass tourism sector. For example, in describing an upcoming project to “create some infrastructure for hiking” to which it was hoped that both rental room businesses and hotels would contribute, the President of a local rental rooms association in the Chalkidiki region explained that

“such collaborations become difficult when there is a divergence in terms of economic interests, and the one party starts pulling one way, and the other another way. It’s due to such economic interests that fighting begins. For example, if money comes from outside, we will want to protect the interests of the rental rooms.” (interview #21)

Nevertheless, a close study of the Chalkidiki and Santorini tourism sectors makes it clear that the major collective action problems that hinder upgrading in the mass tourism industry are coordination and public-good provision problems.

Coordination problems arise in the mass tourism sector when entrepreneurs are aware that it would be beneficial to them if all firms in the area upgraded the services they offer, but are reluctant to take the decision to upgrade individually, as they would not be able to reap the benefits of upgrading unless a critical mass of other firms also upgraded at the same time. Having pointed out that Chalkidiki lost its high-income tourists to the islands because “we thought that it was possible to only take their money, and didn’t offer them quality services,” a rental rooms owner explained the difficulty of breaking away from the low-quality equilibrium in the following way:

“Quality is a little better than average. For example, retail shop owners have inundated the market with Chinese products. But they cannot do otherwise, because the clients don’t have money. We have been inundated by our



neighbours [i.e. tourists from the Balkans], and these poor people don't even have enough money to buy a coffee.” (interview #22)

A hotel owner in a nearby village corroborated this view:

“Tourism of very low quality has developed. The shops also contribute to the problem, it's not just the hotels; everyone must improve quality for the level of the clients to rise. There must also be a promotion of the historic monuments, etc.” (interview #25)

In other words, without a simultaneous decision to upgrade by a broad range of stakeholders, firms were reluctant to upgrade individually for fear that they could not attract high-income clients alone.

Similarly, in Santorini, the chef at an upscale restaurant explained that firms in the accommodation and restaurant sector are interdependent: “It's not the restaurant owners and cooks who control the quality of tourism, the quality of the tourists who come. This is controlled by the hotels, depending on the prices and type of groups they book” (interview #69).

Moreover, the Santorini case shows that some tourism entrepreneurs who went ahead and upgraded before a critical mass of other firms did so, paid a disproportionate cost while only reaping a fraction of the benefit generated by their decision. The founder of Selene restaurant, one of the first upscale restaurants to utilise traditional ingredients and upgrade Greek cuisine not just in Santorini, but nation-wide, is an example of such an entrepreneur. As explained by an interviewee in Santorini, the restaurant's move from the capital of Fira to the village of Pyrgos in 2010 had large positive externalities on the local catering industry:

“From then on, the gastronomy of the village started to rise. (...) I don't know how many Golden Caps<sup>5</sup> Chatzigiannakis has earned, but the result was that the village became a gastronomical destination. There were coffeeshops that were transformed into restaurants. Imagine that we don't have a coffeeshop anymore in the village, all the traditional coffeeshops have become restaurants, restaurants...” (interview #70)

Moreover, Chatzigiannakis remarks with some bitterness that creating a niche market opens the way for the entry also of firms with lower standards:

“I'll give you an example. Santorinian salad, you'll find it wherever you go. I'm the godfather of this story – essentially it was a Greek salad, which I named Santorinian because it should include Santorinian products, i.e. the unwatered little tomato, the fava, the caper leaves, the fresh cheese that the housewives made here. This has developed like the Greek salad abroad,

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<sup>5</sup> Golden Caps are the only Greek gastronomy awards, granted to restaurants by the *Athinorama* magazine.

everyone puts in whatever he likes plus a couple of caper leaves that are not even local.” (interview #35)

In short, to the extent that the benefits of individual decisions to upgrade are widely dispersed, when it comes to upgrading, being the first mover comes at a disadvantage.

In Greece, these coordination problems in the mass tourism industry arise in a sectoral institutional framework that make them particularly difficult to resolve. Specifically, the arrival of sharing platforms and the fact that to this day they are almost totally unregulated in Greece, suddenly introduced a large number of new actors in the accommodation sector, with whom any efforts to coordinate would have to begin from scratch:

“Well, now that the utilisation of isolated houses has entered the picture, this has deteriorated the situation, because they may tolerate a hole etc. (...) It’s because those who have houses are not serious. (...) We take care of the visitors of the village, and they don’t even take care of the visitors in their own accommodation.” (interview #70)

The arrival of these new actors compounded the pre-existing difficulty of orchestrating coordination among the large numbers of firms involved in mass tourism, which was already acute, particularly in settings where “tourism development came not just in leaps, but as a thunderbolt,” such that “the generation that is now 40-60 years old (...) didn’t even have time to realise what happened” (interview #68).

### 2.3.2 Public-good provision and common-pool resource management problems in mass tourism destinations

In addition to coordination problems, firms in the mass tourism sector also face public-good provision problems. Those have to do both with the supply of services that benefit all local firms, such as destination marketing campaigns or destination management programmes (EBRD 2019: 75/ S21), and with the imposition of sanctions on violators of the rules, such as on firms which fail to uphold standards or cheat on prices through tax evasion. These situations differ from the coordination problems described previously, because the share of the net benefit that a firm can capture from individually contributing to such public goods is lower than the share of the net benefit of individually upgrading, making free-riding the most appealing option regardless of the strategy pursued by the other actors.

When it comes to the imposition of sanctions on stakeholders who flout the rules, the challenge is magnified by an institutional context of widespread non-implementation

of the law. The following excerpt from the local press of Santorini about the construction of unauthorised buildings (*afthaireta*) in the 1980s is telling in that regard:

“As in the whole of Greece, so on our island the law-abiding citizens declared their *afthaireta* and paid not only the fine (*charatsi*<sup>6</sup>), but also engineers, photographers and others in order to complete the supporting documentation. These men of the people, who built the *afthaireta* almost overnight with their heart in their mouth, (...) are wondering whether the ‘smart’ individuals who didn’t declare theirs, who are of course the plutocrats who built luxury villas on misappropriated beaches, aren’t in a better position now.” (*Thiraika Nea*, Oct. 1983, 330/ N4)

According to the author of the article, the residents who constructed buildings illegally but later accepted to pay a fine are “law-abiding citizens” who break the law out of necessity and with a bad conscience, in contrast to a host of “plutocrats” engaging in significantly more severe rule infractions. This shows that in a context of widespread non-implementation of the rules, people may consider it costly and even arbitrary to enforce a sanction against a specific individual.

Firms in mass tourism destinations sometimes also have to address problems related to overtourism, which threaten their ability to even retain their current clientele, let alone upgrade (Healy 1994; Morgan 1991). Both Chalkidiki and Santorini have faced and continue to face problems of overtourism compared to the capacity of their infrastructure during peak season (OAOM consulting firm 1977/ D14; Gounaris 2015/ S26; interviews #19, #25; Spilanis 2017/ S20). Addressing overtourism poses a problem that structurally resembles the challenge of managing a common-pool resource (Blanco 2011: 37; Briassoulis 2002: 1068). Public-good provision and common-pool resource management share the characteristic of non-excludability, which gives rise to free-rider problems in both types of settings: “there is as much temptation to avoid contributing to the provision of a resource system as there is to avoid contributing to the provision of public security or weather forecasts” (Ostrom 1990: 32). Like the public-good provision problem, common-pool resource management problems can be modelled as a Prisoner’s Dilemma game where each actor would individually prefer not to reduce their clients, regardless of the strategy pursued by other actors (Ferguson 2013: 29). However, public-good provision and common-pool resource management problems differ when it comes to non-rivalry, which is a characteristic of the former but not the latter: while the use of a public good by one actor does not subtract from its availability to other actors, the use of a

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<sup>6</sup> Literally, *charatsi* was a tax levied on non-Muslims in the Ottoman Empire.

common-pool resource by one actor does make it less available to others, frequently giving rise to overuse problems. As a result, common-pool resource management requires not only addressing the incentive to free-ride, but also resolving the distributional conflict about which actors will reduce their resource use, and by how much. The same problem applies when it comes to addressing overtourism: as indicated by the perspectives below, agreeing on a way to limit the tourism flows is challenging, as each sub-sector prefers to pass on the burden of adjustment elsewhere.

“- They have demonized the cruise sector, which brings an income of 6 million through the Fira cable car, of which 1.5 million goes straight as a gift to the Municipality. I have asked, how will this money be made up? And with what will the jobs of the 1600-2000 people who live directly off the cruise sector be replaced? -You mean in shops? -Shops, tours, escorts, buses, all these things that have been set up around the cruises.” (interview #68, cruise industry employee)

“Overtourism is a big problem on the island. (...) There must be a stop. I am of the opinion that building should be immediately forbidden in the area outside the town plan, and that the building of new hotels should not be permitted; only renovations should be allowed.” (interview #75, owner of one of the first luxury hotels along the caldera)

“Darzentas [a pool constructor] believes that, for Santorini’s survival, construction needs to be strictly regulated. ‘It needs to be fair, though. When everyone has done their own thing, you can’t just punish the last guy to come along.’” (Tsiros 2018: 28)

In short, the problem with addressing overtourism is that “each institution or social subgroup has a view about tourism which promotes its own interests in the short term. This has as a result, to put it briefly, that each one sees the tree that he likes, and we all together fail to see the forest” (*Thiraika Nea*, Oct.-Nov. 1996, 445/ N4).

### 2.3.3 Social fragmentation among insiders and outsiders in touristic destinations

Even though many challenging situations in the mass tourism sector can be usefully analysed in terms of collective action problems, when it comes to more innovative cooperative activities whose payoffs are not well-established, touristic areas are also susceptible to the antecedent obstacle of social fragmentation. This is due to the seasonality of tourism, which means that an unusual share of entrepreneurs in the sector do not permanently live in the area where their business is located, but regularly move in and out during the year. This social structure risks generating siloes.

Indeed, in Chalkidiki there is a major polarisation between local entrepreneurs and entrepreneurs or holiday makers from the nearby city of Thessaloniki (see also OAOM

consulting firm 1977/ D14; Antoniou 2015/ S29). From the point of view of an entrepreneur who is local to the village of Kallithea, “the problem is that not even 20% of entrepreneurs are locals, and the outsiders don’t care” (interview #22; a similar comment was made in interview #21). Conversely, from the perspective of an entrepreneur who migrated to Kallithea from Thessaloniki and who explained that she “has studied and has another job there, but took over the business a year ago in order to help out my mother,” the problem in the village is that

“there is no vision. There are many reasons for that, but the principal one is that there is no touristic education, in fact there is no education more generally. On the other hand, in Mykonos, for instance, there is a vision, and entrepreneurs are constantly striving to improve the product.” (interview #23).

Thus, “insiders” and “outsiders” in the village of Kallithea seem to be separated by the perception of a gulf in terms of their interests, abilities and worldview.

As reflected in the following excerpt from the local press, such conflicts between insiders and outsiders have also been occurring in the tourism sector of Santorini:

“THE ‘FOREIGNERS’: It is sad to observe that most businesses (hotels, restaurants, shops etc.) are in the hands of ‘foreigners’, i.e. non-Santorinian entrepreneurs. Few of those moved to our island for love of the place. Most came in order to make easy money as quickly as possible through exploiting tourism, with all the consequences this has for the defamation of our island. OUR ‘OWN’: On the contrary, it is pleasing to observe that all the touristic offices belong to Therans. (...) As a result, many of our ‘own’ young people stay, work and offer their services to the visitors with responsibility.” (*Thiraika Nea*, Sep. 1983, 329/ N4)

Interestingly, this column elicited an outraged response by the President of Santorini’s Association of Jewellers and Merchants of Popular Art, himself a non-local but permanent resident of the island, who accused the newspaper of

“denigrat[ing] people who are in every way esteemed and useful to the small society of our island, because they had the bad luck not to all be born in Santorini, but ‘somewhere’ in Greece! (...) Are you, Mr. Lygnos [the newspaper editor], a Santorinian or an Athenian? If you are a Santorinian, then (...) why, as a young scientist, didn’t you come to work HERE, but you are trying to infiltrate and cultivate ‘racist’ hatred in the calm society of our island, from far away?” (*Thiraika Nea*, Oct. 1983, 330/ N4)

This exchange shows that the identities of “insiders” and “outsiders” can be malleable and negotiable. Nevertheless, if they crystallize and lead to the formation of siloes, actors from different groups may fail altogether to envision the contours and potential

advantages of mutually beneficial cooperation strategies, putting a halt to the prospects for cooperation before collective action problems can even manifest themselves.

## **2.4 Creating innovative products in the agri-food sector: entrepreneurial discovery in a statist environment**

Case studies in established agri-food sub-sectors such as olive oil, wine and mass tourism highlight the different types of collective action problems that upgrading efforts face in the agri-food and tourism sectors. We now turn to two pairs of case studies of more radical innovation in the two sectors, where the challenge was to create totally new products and channel them into new markets. In such contexts, overcoming the hurdle of entrepreneurial discovery is central for cooperation to emerge among stakeholders.

### **2.4.1 The challenge of entrepreneurial discovery in the Chios *mastiha* and Kozani saffron sectors**

Though they are different, Chios *mastiha* and Kozani saffron have an important similarity: they are both products which were traditionally exported in raw form to international clients and had very limited uses in the domestic market. This situation rendered *mastiha* and saffron highly vulnerable to the vicissitudes of the international markets. Indeed, while for a long time, the biggest market for *mastiha* was Turkey, this market closed in the 1950s (Tsouhlis 2011: 141/ S2). Fortunately for the *mastiha* producers, the closure of the Turkish market coincided with the rise of the Iraq market, where *mastiha* started to be used in large quantities to produce the alcoholic drink *arak*. However, by the end of the 1970s the Iraqis replaced *mastiha* with a cheaper substitute, generating a major crisis in the sector (Tsouhlis 2011: 218-221/ S2). In turn, Kozani saffron is highly vulnerable to competition from saffron produced in Iran, which is by far the biggest saffron producer in the world and offers prices that as much as ten times cheaper than in Kozani (“Annual report 2000”/ D3; Palaiologos 2016). As a result, whether countries that demand saffron are free to trade with Iran or not has an important impact on the Kozani saffron producers: under circumstances of free economic exchange with Iran, “it was easier to sell stones than to sell saffron” (interview #53).

As mentioned in a report that the then President of the Kozani saffron cooperative Patsilias had prepared in 2000, producing innovative products with Kozani saffron would be a way to reduce the sector’s vulnerability to international markets and enhance product differentiation (“Annual report 2000”/ D3). However, doing so was far from obvious in a context where local saffron consumption was practically inexistent (“PDO

Application”/ D2). Indeed, as mentioned by Patsilias in our interview, when he first took over the management of the cooperative, he read in the minutes of previous General Assembly meetings that a producers’ representative had once asked whether the cooperative could do research on the properties of saffron:

“And the President replied –what if it turns out that the product is harmful for health? What do you want, do you want us to be ruined? They thought that some naïve people were buying saffron because they wanted to damage their health. I’m trying to say that these things had to be overcome, they were ridiculous.” (interview #53)

Similarly, when in 2002, the Chios cooperative founded its subsidiary company Mediterra, “they had to look under the stones to find *mastiha* products – they started with five products of *mastiha* spoonful sweet and I don’t know, *pasteli* bars, and now they must have at least 220 *mastiha* products in the shop” (interview #59).

Creating totally new products requires not only coming up with novel entrepreneurial ideas in places where they were previously absent from the relevant actors’ mental models of possible strategic repertoires, but also overcoming the power of inertia and convincing the producers to agree to invest on experiments with uncertain returns (interview #58). As a former President of the *mastiha* cooperative said, “another challenge was this taboo, that here everything is holy and sacred, we don’t touch it, we just come in and go with the flow.” He added that “we did experiments, but as you understand you can’t sell the experiment, you have to throw it away. So the farmers said ‘oh, they throw away our wealth’, etc.” (interview #66; a similar point was made in interview #53). In other words, unlike its uncertain returns, the upfront costs of experimentation are easy to calculate and thereby salient, further adding to the hurdles to entrepreneurial discovery.

These hurdles are particularly difficult to overcome in the context of a statist model of economic development, where actors are habituated to thinking differently about the sources of economic prosperity than in terms of entrepreneurship and innovation. Indeed, a strong statist orientation was one of the defining characteristics of Greek agricultural cooperatives. Not only was the *mastiha* cooperative rescued by the state a number of times when it faced financial troubles (Tsouhliis 2011: 102, 141, 195/ S2), but also the producers were accustomed to thinking of the cooperative as “our home: when we didn’t have money, we would go and take out a loan; (...) and we made houses thanks to this money, wherever you see a house in Chaïdari, it belongs to someone from [the *mastiha*-

producing village of] Pyrgos” (interview #61). In this environment, at least prior to the Eurozone crisis and the collapse of the statist model in Greece, the idea that a cooperative was not a “social organisation” that would support the producers through handing out cheap loans, offering jobs to the producers’ children and providing cheap grocery items, but it was “a commercial business with the sole aim of making profit” (interview #63), was nothing short of radical.

This state orientation plays a profound role in Kozani for the additional reason that the surrounding area’s development in recent decades has been highly reliant on lignite mining by the state electricity company DEH, generating the expectation that prosperity derives from the provision of well-paid jobs by a single large employer, the state. Indeed, the primary occupation of several saffron producers is actually in the DEH plants (interview #54). Moreover, it is characteristic that most of the discussion about economic development in Kozani’s press concerned either the future of the local lignite reserves, or the spending priorities of the so-called “local fund”, which is given by the Greek state to the region as compensation for the pollution generated by the mines (*Kiriakatikos Chronos*, e.g. 16/4/2000, 2896: 1/ N1). Rather than creating a fertile ground for entrepreneurial discovery, this context reproduces state-oriented mental models and strengthens the forces of inertia. The long embargo on Iran in the 2000s and early 2010s also encouraged complacency in Kozani, as it dramatically reduced the global supply of saffron. However, the partial removal of the embargo in the mid-2010s has created a new “headache” for the cooperative (interviews #53, #54).

#### 2.4.2 Social fragmentation among producers and firms in the Kozani saffron sector

Social fragmentation can exacerbate the obstacle of entrepreneurial discovery if distinct groups within a sector, such as the producers in the village of Krokos and the agri-food entrepreneurs in the neighbouring city of Kozani, consider the distance that separates them to be so big, that it is almost inconceivable to them that mutually beneficial strategies are possible. As mentioned by a Kozani entrepreneur, “the problem [with the cooperative] is that there is no openness, there are no presidents with an open mind. So I seek personal benefits, I can’t open everyone’s eyes and lose out myself” (interview #52). In turn, when I asked her whether the cooperative works with local agri-food firms producing saffron products, the Director of the saffron cooperative remarked that

“there is some cooperation, for example with a company that makes honey with saffron, and a local company that makes dips. But these links are very



limited, and we don't want them to expand. If consumers find everything ready, then they won't buy saffron from us anymore. Also, we don't want to do all the advertisement, and firms to benefit without paying" (interview #55).

Thus, some agri-food entrepreneurs in the city of Kozani and some representatives of the obligatory saffron cooperative in the village of Krokos seem to consider their interests as antagonistic and their mentalities as incongruent. This situation inhibits the discovery of potentially beneficial collective entrepreneurial strategies.

#### 2.4.3 Hold-up problems in Chios and Kozani

Finally, especially in the context of the mistrust that accompanied the statist model of development in the Greek agricultural sector, hold-up problems are a generalised issue when it comes to vertical cooperation for quality improvement, which also comes up in non-established agri-food sectors.

Characteristically, the former President of the Kozani saffron cooperative Patsilias recounts that he had once proposed that the processing of the crocus flowers, from which saffron is derived, should no longer take place in the houses of the producers: "This was because - look at what happens now. The farmer sits down to extract the stigmas of the flowers, and as he is cleaning the saffron, he also puts a plate on the table to eat. And when he brings the saffron the cooperative, it's mixed with breadcrumbs" (interview #53). Instead, Patsilias suggested that the processing stage should be centralised at the cooperative. Such a change would entail a transition cost, as farmers would initially get a lower kilo price in order to enable the cooperative to cover the cost of processing the flowers. Nevertheless, eventually "I think the prices would rise, because the product would be better." However, the farmers were not convinced, fearing that after they had been stripped of a task through which they added value to the product themselves, the cooperative would have no incentive to deliver on the higher prices in the future: "they said, how will we know what quantity I delivered, how will the quality be assessed, how will this and that be measured - well, there was no trust. OK, I understand that" (interview #53). In fact, even today, the problem that Mr. Patsilias had tried to resolve persists, with the cooperative's clients sometimes complaining that they find hair and other foreign bodies mixed with this very delicate and expensive product (field notes, interview #54).

According to the CEO of Mediterra, similar obstacles were also faced in Chios, where "very many things have changed regarding quality [of the raw *mastiha*]". The new quality standards "make the life of the producers harder," and they also come with

requirements for additional controls, “whose cost is being passed on somewhere, right?” (interview #58).

## **2.5 Creating an alternative tourism destination: supplying collective entrepreneurial strategies and public goods in a context of depopulation**

In remote, deprived areas which have experienced a period of depopulation and economic decline, bringing about economic regeneration through the creation of an alternative tourism sector is a complex endeavour that requires overcoming both profound obstacles related to entrepreneurial discovery and social fragmentation, along the lines analysed in the previous section, and substantial public-good provision problems, along the lines analysed in section 2.3.

### **2.5.1 The challenge of entrepreneurial discovery**

My two case study areas in the alternative tourism sector, Nymphaio and Ambelakia, are both villages which thrived during the late Ottoman period but faced economic decline during most of the twentieth century and accelerated depopulation after the Second World War and Greek Civil War. In Nymphaio,

“those who stayed after the wars were occupied in the utilisation of the communal forest, the cultivation of potatoes, and we also had some grocers. Some had 3-4 cows and were occupied in animal-herding but at the household level. They would also sell a calf to survive.” (interview #15)

The final blow came with the development of the fur trade in the nearby town of Kastoria in the 1960s and 1970s, which generated a number of well-paid jobs: “Before the development of fur in Kastoria we had 1000 residents, whereas afterwards only 50 were left” (interview #15). Similarly, in Ambelakia, “many residents left as workers in [the nearby city of] Larisa, and they only came back during the weekend. Those who remained tried to survive with animal husbandry and agriculture: wines, chestnuts, small cultivations” (interview #48).

In such contexts, envisaging that young and wealthy urbanites from Greece and abroad might wish to spend their holidays in the village, and conceptualising what types of activities could attract them there, are far from trivial challenges. As it happened, in Nymphaio, one of the core attractions that was created to generate a tourism flow was a sanctuary for brown bears, which are an endangered species, by the NGO Arktouros. As the former President of the Nymphaio Community recalls, in the beginning, the village residents found it difficult to imagine that anyone would be willing to visit a sanctuary

for brown bears: “at the start, the locals were mocking Arktouros, saying ‘hear, hear, the bears will come to feed us!’ But later they understood. Arktouros, which we mocked at the start, proved to be a goldmine for the village” (interview #14). More generally, in the words of Boutaris, the entrepreneur who opened the first two hotels in the village, “local communities are as a rule conservative, closed and I would dare say even phobic towards any change that comes from outside” (quoted in Tsalkou 2007: 111/ S14).

In Ambelakia, these challenges are compounded by a widespread expectation that the actor responsible for resolving most of the village’s problems is the state. As mentioned characteristically by the President of the Folk Art and Historical Museum of Ambelakia in his opening remarks at an event,

“the state has not showcased the history of the Ambelakia cooperative like it should have. In the past it was the responsibility of the prefecture, now it’s the responsibility of the periphery. Finally, they should come and see the [Schwarz mansion, the village’s most notable attraction], and preserve it. It’s their duty to preserve it, and also to preserve the however many other ramshackle mansions which still survive.” (book launch of Vassileios Tsolakis, 15/7/2018, field notes)

As this quote indicates, part of the reason for people’s expectation of state intervention in Ambelakia has to do with the symbolic importance of the village in the Greek collective imaginary. After all, every primary school child in the country learns that Ambelakia is the place where “the first cooperative in the world” emerged and thrived in the 18th century. Moreover, one may surmise that the fact that the first attempt to develop tourism in Ambelakia was a top-down initiative implemented by the central government, which created and funded a women’s agri-tourism cooperative that never properly took off (interviews #47, #48), perhaps strengthened the locals’ anticipation that economic development was going to be a state-led process rather than the result of private entrepreneurial initiative.

### 2.5.2 Social fragmentation among insiders and outsiders

To make matters more difficult, the need to involve a broad range of diverse stakeholders in attracting alternative tourism flows generates similar insider-outsider dynamics as those encountered in the mass tourism sector, potentially resulting in the formation of siloes that inhibit the actors from perceiving the contours of possible mutually beneficial cooperative projects. Indeed, one of the interesting features of the society of Ambelakia is that it includes a surprising number of civil society groups: if one

were to measure social capital solely based on the *number* of local associations, the village would score very highly. However, the relations among those associations are characterised by suspicion and a sense of a social gulf. As mentioned by a member of one of the village's associations, “[Association X] is a step for the political ascent of its members. Whereas *we* don't do politics, we want the village to develop.” This view was reciprocal: according to a member of Association X, “the question about Association Y is whether they do what they do in order to attract tourists, or whether they do it to bring in their own acquaintances and friends” (interviews #50, #51). Underlying this conflict was an antagonism about who was most genuinely an insider. From the point of view of a non-local but permanent resident of Ambelakia,

“Here in the village they have this mentality, that the outsider arrived and wants to show off. (...) But those at [Association X, who originate from Ambelakia], are not concerned with earning an income here, as most live in Larisa anyway. They don't have to find ways for themselves and their children to stay at the village. Whereas I can either be an animal-herder or farmer, or I can in some way engage in the tourism industry.” (interview #50)

These social dynamics can to some degree also be observed in Nymphaio. The first hotel owner of the village, Boutaris, who comes from Nymphaio but lived all his life elsewhere, argues that one of the reasons for the locals' original resistance against the establishment of the bear sanctuary was that “they had a complex, that these guys will come to take over our village” (interview #13). Even today, a non-local who moved to Nymphaio to run a hotel, complains that while the local hotel owners “offer toast, we offer a royal breakfast. The others only have profit as an aim. How shall we do something together?” (interview #17)

However, by now, Nymphaio's village residents have by and large come to understand the broad contours of possible cooperative projects. Where social fragmentation can still really be observed in a stark way in Nymphaio is between the residents of Nymphaio and those of surrounding villages. Several interviewees stressed that the Nymphaiots are – and have been since generations – “bourgeois” (*astoi*), and not “farmers” or “contractors” like the inhabitants of surrounding villages:

“We are dissimilar (*anadelfoi*) with these [neighbouring] villages, we don't fit together. We were bourgeois, we have a different culture and education. They are villagers, and they care about agriculture and energy production, not tourism.” (interview #15)

From my brief visit to the nearby village of Limnochori, the feeling of social distance was shared: “Why are you staying in Nymphaio?” one of the clients at the local coffee house asked. “For x or y reasons Nymphaio acquired a reputation, received funds and developed, but there are other nice places to stay, and they are cheaper, too”. This social fragmentation hinders the scaling of Nymphaio’s alternative tourism sector, despite considerable potential for mutually beneficial broader synergies.

### 2.5.3 Public-good provision problems

Even if the considerable obstacles associated with entrepreneurial discovery and social fragmentation are overcome and the relevant actors acquire a good grasp of the approximate payoffs associated with cooperative and noncooperative strategies, creating alternative tourism flows is likely to stumble on significant public-good provision problems. Such problems are even more prominent in the case of alternative tourism in remote areas than in the case of mass tourism, as the generation of new tourism flows relies critically on the creation of new attractions, a costly process which generates benefits for all the local economic actors, regardless of who covers the cost.

Indeed, the costs associated with providing the attractions that turned Nymphaio into one of the most popular winter tourism destinations in Greece were very significant. Apart from the bear sanctuary, some landmark activities included the creation of a children’s camp, a conference centre, a horse-riding centre, a silversmithing museum, a nature park, a network of signposted paths, and an amphitheatre (“Nymphaio: Fair-tale with a name”/ D7). Moreover, nearly all of the village’s old houses and mansions were renovated at very high cost, as were some of the landmark public buildings of Nymphaio, such the church of Agios Nikolaos and the Nikeios School (interviews #14, #16). Nymphaio’s development as a tourism destination also required substantial public works, including new watering and sewage networks, underground telecommunication networks, the construction of a peripheral road and parking lots so that cars wouldn’t enter the village, and the restoration of the traditional cobbled paths in the village (“Nymphaio: Fair-tale with a name”/ D7). Implementing those activities required not just funds, but considerable time and effort:

“– What was the greatest obstacle that you faced as President of the Commune? – The public administration. (...) In Florina the situation was insufferable. Everyone wanted to be the boss, they were sending around the papers to get a stamp here, a stamp there, it took two months to put all the stamps. (...) Giorgos Boutaris, who was the Commune’s Secretary at the time,

went every morning to find [the civil servants responsible] and force them to put the stamp, because at the time they were not in the office, they just swiped their cards in the morning and then they left.” (interview #14)

In Ambelakia, finding the time and funds required to provide such public goods appears like an insurmountable obstacle. The cost of renovating the old houses and mansions appears prohibitive, particularly due to Ambelakia’s status as a protected settlement and the associated legal requirements regarding the preservation of the traditional architectural style (interview #47). At the same time, creating attractions requires time, effort and money that most actors either don’t have, or consider they should invest differently:

“Last year I had time, and I engaged very much [with the organisation of a festival in Ambelakia]. The events lasted 10 days, and they had a lot of success. (...) We brought [the singer] Zervoudakis, we had music everywhere, we also organised a music camp. But this year I said that I don’t have time, I’m not going to abandon my work for this.” (anonimised Ambelakia interview)

“– [Me:] Can’t you access EU funding, for example to renovate the Schwarz mansion? – [Interviewee:] I don’t know about EU funding. My partner in the association had attended a seminar about EU funds, and what she understood was that it requires so much work, that we can’t do it. We would have to hire a specialist, and with a budget of €1000 it’s not possible.” (anonimised Ambelakia interview)

In turn, the few actors who contribute to activities with a public-goods character feel that they are pulling forward alone, as when it comes to realising jointly agreed projects and paying, other actors have a tendency to “pull out”. To my question about why that is, an interviewee replied that “the truth is that when someone gives a bit of money, he expects that the money will pay off immediately” (interview #49): without the prospect of reaping an immediate, personal economic benefit, people are reluctant to participate in common projects. As a result, while “both Ambelakia and the wider area, with the Tembi valley which is one of the biggest national parks in Greece, have a dynamism of which not even 5% has been utilised” (interview #49), realising this potential stumbles on seemingly insurmountable obstacles.

Finally, as in the mass tourism sector, public-good provision problems in the alternative tourism sector also have to do with the imposition of sanctions on violators of the rules – especially the building rules – which is another costly process with a public-good character. As the former President of Nymphaio Mertzos recalls, “though most locals accepted the idea of the protected settlement, of course there were some difficulties.

One day, I was crossing from the house at the edge of the settlement and saw some cement blocks. A guy wanted to build an out-house using cement,” something prohibited by the applicable architectural rules. As the responsible town-planning authorities informed Mertzos that “they don’t have employees to send” to enforce the law, inhibiting the violation of the building rules was far from straightforward. This was all the more so because, as shown in old photographs of the village, many of the existing buildings in the early 1990s already had violations of the required architectural style, which had to subsequently be corrected (“Nymphaio: its revival in images”/ D8).

## 2.6 Concluding remarks

In this chapter, I set out to explain why cooperation among economic actors is so hard to obtain in a variety of settings, even though it often makes a lot of economic sense. Building on two bodies of theory, one derived from political economy and the other from sociology, I proposed a framework for analysing the obstacles to cooperation that stakeholders encounter in field settings. The findings of the chapter will act as the foundation for the next three chapters, which discuss different ways to overcome the obstacles to cooperation identified here. At the same time, this analytical framework has broader applicability, and can be used with some modifications stipulated by the sector and context of interest to analyse the obstacles to cooperation also in other sectoral and geographical settings.

I have argued that particularly when it comes to cooperation for the production of highly innovative goods and services, the first obstacles that economic actors face are cognitive: they concern their ability to conceptualise the contours of the relevant cooperative and noncooperative strategies, and to estimate the expected payoffs associated with each. The first cognitive obstacle that needs to be overcome is the hurdle of entrepreneurial discovery, a dynamic process that is particularly demanding in contexts where the actors are habituated to thinking in very different ways about the sources of prosperity, for instance due to the dominance of a state-oriented model of economic development in their sector and area. Social fragmentation may also inhibit the relevant actors from imagining that cooperation with members of different social groups could ever be mutually beneficial, an obstacle that tends to be particularly pronounced in sub-sectors where a broad range of stakeholders with distinct identities need to be brought together for cooperation to emerge.

While cognitive obstacles are crucial factors that may inhibit the emergence of cooperation for upgrading, overlooking the collective action problems that emerge when economic actors have the cognitive capacity to estimate the payoffs associated with the different available strategies, would lead us to neglect a crucial category of obstacles that need to be overcome for cooperation to be achieved. The types of dominant collective action problems that economic actors tend to face vary by sector, with hold-up problems being of particular concern when it comes to vertical cooperation for quality improvement in agri-food supply chains; coordination problems playing an important role in hindering horizontal cooperation for upgrading in mass tourism destinations; and public-good provision problems being the dominant issue when it comes to creating alternative tourism flows in remote areas. In contexts where firms face intense competition, distributional conflicts may also prevent actors from opting for a cooperative strategy, even if it can be mutually beneficial. A number of features of the Greek context make these problems particularly difficult to resolve. These include the legacy of state intervention and related generalised suspicion in agricultural cooperatives, the many gaps in the implementation of the law in Greece, and an institutional context in the tourism sector which favours opportunistic actors. These findings are summarised in Table 4 below.

**Table 4: Obstacles to cooperation in each case study area**

| High-cooperation case       | Main obstacles to cooperation                       | Contextual features that exacerbate the obstacles                | Low-cooperation case     | Main obstacles to cooperation                       | Contextual features that exacerbate the obstacles                                    |
|-----------------------------|---|--|--------------------------|---|--|
| <b>Santorini wine</b>       | Hold-up problem (along the supply chain)            | Suspicion towards private entrepreneurs & the state              | <b>Lemnos wine</b>       | Hold-up problem (along the supply chain)            | (The current lack of alternative paths to prosperity attenuates the hold-up problem) |
|                             | Distributional conflicts (horizontally among firms) | Intense competition for scarce inputs                            |                          | Distributional conflicts (horizontally among firms) | Intense competition for shrinking domestic demand                                    |
| <b>Chios <i>mastiha</i></b> | Entrepreneurial discovery                           | Legacy of the statist model, no local <i>mastiha</i> consumption | <b>Kozani saffron</b>    | Entrepreneurial discovery                           | Statist model of economic development, no local saffron consumption                  |
|                             | Social fragmentation                                | N/A  |                          | Social fragmentation                                | N/A  |
| <b>Nymphaio tourism</b>     | Entrepreneurial discovery                           | Depopulation, long trajectory of economic decline                | <b>Ambelakia tourism</b> | Entrepreneurial discovery                           | Depopulation, long trajectory of economic decline                                    |



|                          |                                   |   |                           |                                   |   |
|--------------------------|-----------------------------------|---|---------------------------|-----------------------------------|---|
|                          | Social fragmentation              | Insider-outsider divisions                                |                           | Social fragmentation              | Insider-outsider divisions                                |
|                          | Public-good provision problems    | High cost of the public goods required in the sector      |                           | Public-good provision problems    | High cost of the public goods required in the sector      |
| <b>Santorini tourism</b> | Coordination problems             | Unregulated sharing economy                               | <b>Chalkidiki tourism</b> | Coordination problems             | Unregulated sharing economy                               |
|                          | Public-good provision problems    | Widespread non-implementation of the law                  |                           | Public-good provision problems    | Widespread non-implementation of the law                  |
|                          | Addressing overtourism (CPR-like) | N/A   |                           | Addressing overtourism (CPR-like) | N/A   |
|                          | Social fragmentation              | Seasonality of tourism favours insider-outsider divisions |                           | Social fragmentation              | Seasonality of tourism favours insider-outsider divisions |

Taken together, the aforementioned obstacles and contextual conditions constitute powerful impediments to potentially beneficial forms of cooperation among economic actors. The next three chapters set out to explain under what conditions those obstacles can be overcome in unfavourable settings. Chapters 3 and 4 address this question by putting at the centre of the analysis the concept of leadership by a small group of local-level boundary-spanning actors, while taking the macro-institutional framework as a given. The latter assumption is then relaxed in Chapter 5, which examines the effects of different macro-institutional sectoral frameworks on the prospects for cooperation among economic actors.

## CHAPTER 3

# LEADERSHIP AND THE SUPPLY OF LOCAL-LEVEL COOPERATIVE INSTITUTIONS

### 3.1 The role of leadership in local-level institutional change

In the mid-1980s, the Chios *mastiha* cooperative was characterised by “a climate of deep mistrust” among producers and the management board (Tsouhliis 2011: 185/ S2). The obligatory cooperative was heavily indebted, and a failure to pay producers in full during a number of years led to a large decrease in the quantity of *mastiha* produced and a significant growth in the black market. As a producers’ representative put it to the management board during a General Assembly meeting in 1983,

“it is sad for us, the *mastiha* producers, who entrust our product to you, to hear those exasperating things. (...) The deficits are exasperating. We don’t even have the strength to gather the *mastiha* from the trees when the management board is in such a state of disarray. How are we supposed to believe you and trust you to sell our *mastiha*?” (quoted in Tsouhliis 2011: 184-185/ S2)

Fast-forward thirty years, and the *mastiha* cooperative has become “an example of the tremendous potential of Greek co-operatives” (Vakoufaris *et al.* 2007: 789), and an “exceptional case of a social cooperative enterprise which was able to evolve through the foundation of a subsidiary company” (Lioukas 2013/ S1). The cooperative’s innovative retail stores, the *MastihaShops*, “have contributed to many people with an enquiring mind across Greece revisiting from the beginning what we call a Greek traditional product: how to remake it, how to package it, how to groom it” (interview #58). In the meantime, *mastiha* has been transformed from a purely local affair to one of the most recognisable Greek agri-food products. How did this remarkable change come about?

An important literature in political economy provides the tools to analyse the nature of the local formal and informal institutional arrangements that currently allow the *mastiha* producers, and many other economic actors engaged in cooperative activities around the world, to overcome the obstacles to cooperation that they face (e.g. Ostrom 1990; Olson 1982; Farrell 2009). But how do such institutional solutions become adopted in the first place?

While it is clear that local context must in some way affect the likelihood that institutional solutions to collective action problems will be supplied, the precise way in

which it does so remains ill-understood in the literature. The most frequently repeated approach comes from “history as destiny” accounts (Sabel 1993: 1136), according to which there are two stable equilibria in society, “never cooperate” and “reciprocate help”, and these are reproduced not only across decades, but across multiple centuries (Putnam 1993: 179). According to this view, cooperative local-level institutions are most likely to be supplied organically in local communities with a set of inherited sociocultural bonds. Although the cultural approach remains remarkably influential in certain academic and policy circles (Alesina and Giuliano 2015; Djankov and Nikolova 2018), it has been convincingly criticised in a long line of literature. Firstly, at least in its most deterministic versions, the cultural approach cannot explain institutional change (Crouch 2005: 74; Piattoni 1997: 314). Secondly, the proponents of *longue-durée* cultural approaches tend to select historical events that fit with their argument within long, complex histories that include both periods of harmony and prosperity, and periods of conflict and decline. Thirdly, culture-based arguments fail to account for some important instances of observed variation in patterns of cooperation, such as the greater reliance of economic actors on trust-based bonds in northern Italy than in Germany, despite the fact that “the political culture approach to comparative politics has treated Italy as its paradigmatic example of how an advanced industrialized democracy may have an unhealthy political culture” (Farrell 2009: 98).

Drawing on theories that emphasise the importance of action for institutional change, and particularly on Crouch’s concept of “institutional entrepreneurs” as actors who, under certain circumstances, can bring about institutional innovation despite the constraints associated with path dependence (2005: 3), the main argument of this chapter is that the adoption of local-level cooperative institutions in particular places relies heavily on three difficult and costly types of institutional work done by a small group of boundary-spanning leading actors. Specifically, leading actors ignite successful processes of local-level change by introducing new cooperative norms and formal institutional arrangements; disseminating new ideas about collective entrepreneurial strategies; and identifying ways to cover the associated upfront costs of cooperation. In the absence of leadership, those three types of work cannot be performed endogenously in low-cooperation areas. While the local-level institutional status quo in which the leading actors find themselves determines the extent of the obstacles that they need to overcome in order to catalyse change towards a cooperative equilibrium, I argue that it is events and patterns of interaction in recent memory, rather than in the *longue durée*, which play a

crucial role in shaping the prevailing local-level institutional contexts. In turn, local-level institutional contexts are subject to change in relatively short time periods.

The chapter is structured as follows: in the rest of this section, I analyse a set of local-level institutions described in the literature as potential solutions to the obstacles to cooperation outlined in the previous chapter, and I develop a theory about three types of institutional work that leading actors must perform in order to introduce such solutions locally. In the following four sections, I show empirically which types of institutional solutions were utilised in which types of field settings, and I demonstrate the importance of the three types of institutional work undertaken by a small group of boundary-spanning leading actors in supplying those solutions in my case study areas. I argue that trust, negative selective incentives and arenas for discussion are particularly important for the resolution of hold-up, public-good provision and distributional problems respectively, while mechanisms of incremental “proof of concept” are an effective way of altering the heuristics through which local actors evaluate alternative economic strategies. Furthermore, I argue that while leading actors can catalyse a degree of cooperation in all sectors, the extent to which they can do so varies by the size of the relevant group of economic actors. While in the agri-food sector, where the benefits of cooperative strategies are club goods, a small set of leading actors can go far in terms of catalysing productive synergies within a local sector, in the tourism sector, where the benefits of cooperative strategies are essentially public goods, there are limits to the extent of productive synergies that a small set of local leading actors alone can trigger.

### 3.1.1 Local-level institutional solutions to the obstacles to cooperation

A number of important studies in political economy point to a range of tools that economic actors can use to overcome collective action problems. Firstly, when it comes to addressing problems that are linked to time inconsistencies in actors’ preferences and to risks of opportunistic behaviour, such as hold-up problems, trust, defined as an expectation that others will behave in a trustworthy manner in future situations involving uncertainty (Farrell 2009: 24), can be an important solution, providing an “effective lubricant” in the economy (Lorenz 1988: 198; see also Sabel 1993: 1133; Alesina and Giuliano 2015: 10; Meadowcroft and Pennington 2008: 121; Uzzi 1997: 43-45). Secondly, when it comes to addressing problems that stem from behaviours with strong externalities, such as coordination and public-good provision problems, then Olson’s concept of selective incentives, that is, incentives that apply “selectively to individuals

depending on whether they do or do not contribute to the provision of the collective good” (1982: 21), is particularly relevant for understanding how to prevent free-riding in a community. Ostrom’s emphasis on the importance of functional systems for mutual monitoring and the imposition of graduated sanctions is also related: sanctions, which are a form of negative selective incentive, have been shown to matter crucially for preventing behaviours with negative externalities, as “reputation and shared norms are insufficient by themselves to produce stable cooperative behaviour over the long run” (1990: 94). Thirdly, when it comes to addressing distributional conflicts, such as in battle-of-the-sexes games and common-pool resource (CPR) settings, the literature suggests that having in place inclusive arenas for discussion and conflict resolution, which offer to local stakeholders frequent opportunities to interact and bargain, can be important for achieving negotiated solutions and avoiding a breakdown of cooperation (Ostrom 1990: 58-100; Ferguson 2013: 209).

The literature on participatory governance also emphasises the importance of inclusive arenas for discussion, but for a different reason. The idea here is that to overcome cognitive obstacles to cooperation, and particularly the hurdles of entrepreneurial discovery and social fragmentation, what is important is to create informal networks of economic actors “who together discover ways to bring resources to bear efficiently to the problems at hand” (Sabel 1993: 1154). Such networks can be created through “associative”, network-forging subnational policy initiatives like the 1989 Manufacturing Innovation Networks project in Pennsylvania described by Sabel (1993: 1154). By bringing “previously disparate and even antagonistic” groups together and jointly incorporating them in the stages of policy design and implementation, participatory policy projects allow economic actors to “study their industries jointly”, incrementally “experiment with new roles and rules”, and ultimately “construct communities of interest (...) where none had seemed possible” (Sabel 1993: 1149, 1158; McDermott 2007: 105).

### 3.1.2 Three types of institutional work performed by local-level leading actors

The trouble with the aforementioned cooperative institutional solutions is that they are difficult and costly to create. By increasing the aggregate welfare of all economic actors, they essentially provide a public good to local communities. The supply of local-level institutional solutions to the obstacles to cooperation therefore often stumbles on similar collective action problems as those that they are supposed to resolve (one may

call those second-order collective action problems, following Ferguson 2013: 5; see also Ostrom 1990: 42; Meadowcroft and Pennington 2008: 122; Putnam 1993: 166).

While the weaknesses of culturally deterministic approaches to the question of local-level institutional supply are well understood in the literature, the conditions under and processes through which cooperative local-level institutions can be provided in places where they were previously absent remain understudied. Ostrom argues that cooperative institutions are more likely to be supplied in settings where the actors have similar interests and low discount rates, face low information, transformation and enforcement costs, and share “generalized norms of reciprocity and trust that can be used as initial social capital” (1990: 211). Among these factors, the last one is not very helpful, as it requires that cooperative informal institutions already be in place for further cooperative institutions to be supplied. The other factors are plausible, but their origin is under-specified: are the interests of the actors objectively defined in a singular way, or can the actors’ perception of their interests change, depending on the types of information that are available? Beside the objective properties of the common-pool resources, regional products or other collective goods, do any other factors influence the extent of information, transition and enforcement costs in different local areas?

Similarly, Farrell’s book on trust is considerably more detailed when it comes to the mechanisms of trust creation, than on the circumstances under which the incremental process of changing expectations about the trustworthiness of particular classes of actors will actually be triggered. Farrell argues that informal institutions change when actors with sufficient bargaining power find it in their interest to initiate such change, usually in response to exogenous factors that alter the costs and benefits of cooperating (2009: 140-5). But why do similar exogenous changes, such as the growing incentives to increase coordination as the economy becomes more internationalised, only precipitate institutional change in some areas, but not in others? Under what circumstances would “initiating actors” find it in their interest to start cooperating, instead of continuing to pursue non-cooperative strategies? Would an increase in trust-based bonds require the *less* powerful parties in the relationship to acquire more bargaining strength for the process of positive institutional change to begin? When would the cooperative strategies of initiating actors be “taken up by most or all other actors belonging to the same general class as the initiator” (2009: 143), thereby triggering a generalised process of institutional change?

I argue that the conduct of three specific types of institutional work by a small group of boundary-spanning actors, including economic actors, local politicians, local administrators and/ or members of the civil society, is a necessary condition for sustainable local-level cooperative institutions to be supplied in places where they were previously unavailable. In developing this argument, I draw on three strands of literature: the political economy literature on cooperation and institutional change; the literature on participatory governance; and the management literature on institutional work and entrepreneurial discovery. In bringing together concepts and arguments from these diverse streams of literature, I aim to build on studies that have a sophisticated understanding of the institutions that shape the character of “place”, as well as on studies that have a sophisticated understanding of the role of action in processes of change, hoping to provide a rounded account of how local-level institutions can be reshaped to facilitate cooperation.

In the management literature, institutional work is defined as “the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions” (Lawrence *et al.* 2009: 1). The first type of institutional work that leading actors must do in order to trigger a durable process of positive institutional change is to introduce cooperative norms, cooperative formal institutional arrangements, and new conceptions of shared interest among diverse groups of actors: without leadership, these novel institutions and conceptions are very difficult to supply in low-cooperation settings. As Acemoglu and Jackson have argued, “prominent individuals” who possess a central position in a network can trigger changes in historically inherited social norms through the disproportionate visibility of their actions, which can generate powerful demonstration effects and thereby result in a change of expectations across the rest of the network (2015: 423-425). This mechanism is similar to Farrell’s account of trust creation, whereby changes in informal institutions are triggered by the actions of a few powerful actors, which incrementally start shifting others’ expectations about the likelihood of trustworthy behaviour by actors belonging to particular classes. Eventually, those initially aberrant actions become generalised norms of behaviour (Farrell 2009: 140-5; see also Lorenz 1988: 207). Furthermore, in the absence of the regional-, state- or national-level policy initiatives to forge new networks among economic actors that the participatory governance literature focuses on, leading actors can play an important role in disseminating conceptions of shared interest among diverse groups. They can do so indirectly, by creating arenas where economic actors can “study their industries jointly”

(Sabel 1993: 1158). Importantly, they can also broaden the other actors' conceptions of their self-interest directly, by effectively projecting a vision about shared prosperity and market-oriented, inclusive economic development via cooperation, by showing that cooperation can pay off (demonstration effects), and by supplying previously unavailable information that alters the other actors' calculations regarding the costs and benefits of cooperative strategies. Such changes can subsequently be reinforced due to the learning effects and changes in the local balance of power associated with the adoption of a cooperative strategy by the first movers (Crouch 2005: 78-81; McDermott 2007: 120).

However, the introduction of cooperative norms and institutions by the leading actors is not in itself sufficient to bring about a lasting change in the local institutional equilibrium. Drawing on management literature and the emphasis given in the previous chapter on entrepreneurial discovery – a difficult process whose importance is generally underappreciated in the political economy literature on cooperation – leading actors must also play a catalysing role in the discovery of entrepreneurial opportunities and the dissemination of new ideas for collective entrepreneurial strategies. As was argued in the previous chapter, entrepreneurial innovation is typically (albeit to varying degrees) a key component of cooperative strategies that can pay off, and that can therefore be sustainable. And although technological changes generate a range of entrepreneurial opportunities, those are not immediately widely apparent due to information asymmetries: discerning an entrepreneurial opportunity requires very specific combinations of idiosyncratic prior knowledge, likely to be possessed by few individuals, if at all. As a result, “entrepreneurship cannot be explained solely by reference to factors external to individuals: (...) Individual differences may imprint the development of new organizations even before they are founded” (Shane 2000: 466). The concept of “gatekeepers of knowledge” from the economics of innovation is also relevant here. Gatekeepers of knowledge are “a small number of key people” at the “core of an information network”, who are “overexposed to external sources of information” and play a key role in identifying, translating and disseminating external knowledge inside their own network (Morrison 2004: 7-8). One can also use the terminology of the sociology literature, and point out that in relatively isolated networks, an individual or small group of individuals who act as “bridges” or “local bridges” to external networks play a crucial role in information transmission (Granovetter 1973: 1364-1365). More generally, the “cultural transmission of impressions and judgements” and the “free-rider problems [that] accompany the social learning processes that complement the development and



transmission of mental models” mean that “leaders tend to play disproportionate roles in shaping shared models”, including the shared understandings about ways of doing business that may need to change if the cognitive obstacles to cooperation are to be overcome (Ferguson 2013: 129).

Finally, both the introduction of new cooperative institutions and the discovery and dissemination of new entrepreneurial ideas typically entail substantial upfront costs. After all, as scholars of institutional work point out, the concept of “work” implies effort (Lawrence et al. 2009: 15). Drawing on Olson’s *Logic of Collective Action*, the biggest or most powerful actors in a group consisting of differently sized members can significantly contribute to the achievement of cooperation by covering a disproportionate amount of the upfront costs for providing a collective good, in anticipation of reaping a disproportionate amount of the benefits associated with the provision of the collective good in the future (1965: 22-34). In areas with fragmented property structures, typically no single actor will be in a position to cover the entire cost of providing the collective good alone. Nevertheless, by taking the risk of adopting a cooperative strategy early and by finding ways to cover part of the upfront costs of cooperation, leading actors with a disproportionate stake in the economic future of their area perform a necessary type of work for bringing about institutional change. Interestingly, Ostrom’s detailed case study of the process of institutional supply in a Californian common-pool resource setting (1990: chapter 4), reveals that leadership played a crucial role in the emergence of the first system of groundwater management for precisely this reason, even though this is not fully reflected in her general conclusions on the subject of institutional supply. Specifically, in the first location where suitable institutions for the management of the groundwater reserves emerged, at Raymond Basin, California, it was the City of Pasadena, the largest user of the resource, which initiated the legal proceedings against the other users, undertook a disproportionate share of the litigation costs, and thereby precipitated the process of institutional change. According to Ostrom, Pasadena “approached, but did not reach, the position of a dominant actor” in Olson’s sense of the term, and as a result was prepared to take a leading role for finding a solution to the problem of water overextraction, but without being willing to bear all the associated costs itself (1990: 111, 124).

Even though, for the reasons presented so far, a compelling case can be made that leading actors who perform three types of institutional work can be expected to play a key role in the process of supplying local-level cooperative institutions, the concept of

leadership does not figure prominently in the political economy literature on cooperation. In my view, there are three reasons for this, but none of them justify the omission. Firstly, the “leadership” variable may appear randomly distributed. Nevertheless, a systematic study can reveal recurring patterns both in the type of work that leading actors must do to trigger the shift towards a cooperative equilibrium (the subject of this chapter), and in the leading actors’ characteristics (the subject of the next chapter). Studying leadership in this way can be useful for social scientists to not be “taken by surprise by change” (Crouch 2005: 16). Secondly, in the management literature where leadership does appear as a central concept, there is a tendency to idealise the leader and focus on “providing practical and moral guidance to powerholders” (Kraatz 2009: 66; see also Lawrence *et al.* 2009: 3, 11). Instead, in this study the concept refers not to the holders of specific positions of responsibility, but to any actor who carries out the types of institutional work described above, and it is used with a focus on explaining processes of institutional change, rather than prescriptively (for a similar approach, see Acemoglu and Jackson 2015: 427). Thirdly, and most importantly, a long line of political economy literature is deeply sceptical that cooperative institutions can thrive in the presence of the power inequalities, resource imbalances and information asymmetries that the concept of leadership implies (Locke 1995: 25; Putnam 1993: 173-174; Ostrom 1990: 89). While fully recognising that many types of vertical networks, and particularly the clientelistic networks that Locke and Putnam had in mind in their studies of Italy, are deleterious for social trust and cooperation, I argue that in some cases leading actors can play a positive role. Examining the conditions under which this can be the case is crucial if we are to understand processes of institutional change towards a cooperative equilibrium.

Taken together, the local-level institutional solutions and types of institutional work outlined so far provide a useful set of concepts for approaching the subject of institutional stability and change in low-cooperation areas. The remaining sections of the chapter show which types of solutions were used and which types of institutional work were carried out, or failed to be carried out, in different geographical and sectoral settings.

## 3.2 Overcoming hold-up problems and distributional conflicts: the supply of trust, price incentives and arenas for discussion in the wine sector

### 3.2.1 The incremental construction of trust in the Bläuel network

According to Fritz Bläuel, a pioneer in the production of organic olive oil in Greece, “trust is the main asset for changing the ‘software’ of the farmers”: it was primarily through the incremental construction of trust that he convinced a group of olive producers in the remote village of Saïdona to overcome their hesitation and switch to organic olive cultivation in the early 1990s (interview #1). Bläuel defines trust as “doing what you promise that you will do. When it comes to the farmers, trust means paying them on time, and paying them well” (interview #1). In other words, trust is an expectation that another party will refrain from behaving opportunistically, in this case by delivering the agreed payment under the agreed conditions. Bläuel recounts:

“I established trust-based relations gradually over the years, before I started with the organic cultivation. (...) I started by buying conventional oil, and I acquired a reputation for paying the farmers on time. So I spent ten years establishing friendships and trust.” (interview #1)

Bläuel’s description of how he earned the producers’ trust one step at a time is consistent with Farrell’s account of incremental changes in informal institutions, triggered by observed changes in the behaviour of a few “initiating actors” (2009: 143). The mechanism seems to work: according to a producer in Bläuel’s current *Naturland* fair trade network in Crete, whose members have to abide by several strict conditions that raise production costs, “we have been working with Bläuel since 1995, and there is no fear that he will not buy the product” (interview #3).

Bläuel’s colleague explains that in addition to the creation of trust with the producers in Saïdona, who came to “consider him one of their own”, Bläuel also attached particular importance to information provision:

“Bläuel offered huge support to the producers when he had the bio-programme. He offered them agronomists and advisors, who went to the field, conducted analyses and told the producers what fertilisers to use and how to deal with the dacus fly and other diseases. This had a huge cost.” (interview #2)

Bläuel did not just provide to producers information about cultivation techniques, but even more fundamentally, he expended considerable effort to communicate his vision about organic agriculture at a time when it was unheard of in Greece: “For the first five

years (1986-1991) I went around, almost like a missionary, and talked to farmers about organic agriculture” (interview #1). Later, “annual parties (*glentia*) with the producers of the bio-programme” provided regular opportunities for information dissemination between the firm and the producers (interview #2).

Overall, by investing considerable time and resources to incrementally establish his trustworthiness, communicate a vision about organic cultivation and provide technical support to the producers, Bläuel played a crucial leadership role for overcoming hold-up and entrepreneurial problems in part of the olive oil sector in Mani.

### 3.2.2 Trust and price incentives for quality improvement in Santorini’s wine sector

When he arrived in Santorini in the late 1980s, the winemaker Yannis Boutaris also invested substantial effort and resources to establish trust, exchange information and share his vision about high-quality wine with the island’s grape producers, who, as we saw in the previous chapter, initially greeted him with extreme suspicion. He did this in three ways. Firstly, like Bläuel, he established his credibility gradually each year by promising better prices and sticking to his promises: “he told them that if you harvest and you bring me the grapes in the x week of August, I will give you this much more” (interview #30). As an elderly producer confirms, “at the start, when Boutaris came he gave really high prices compared to the Union” (interview #72).

Secondly, making a major investment in Santorini was a way for Boutaris to tie his hands (see also Kraatz 2009: 77), demonstrating to the producers that his commitment to the development of the local wine sector was long-term. The firm went out of its way to communicate this in the local press:

“The Boutaris firm believes that [the] development [of Greek areas that produce geographical indication wines] can only happen at the location of production, for the very simple reason that the continuous presence of people and facilities at the location where the vines are, binds the viticulturer with the winemaker, the two necessary forces for the production of quality wines. It gives to the viticulturer the certainty that his production is guaranteed with a brand name and on a continuous basis.” (*Thiraïka Nea*, Jul.-Aug. 1990, 393)

Thirdly, like Bläuel, Boutaris followed a conscious strategy of providing information about his plans, explaining the reasons why he was asking for the producers’ cooperation, and projecting his vision about the future of Santorini’s wine sector. As he recounts with regard to his activity in another wine-producing area of Greece,

“I used to call the producers to try the wine of different barrels when it was ready, in order for them to understand what wine is made from good and bad

grapes, and that if I have a good wine, I will be able to give them higher prices. Cultivating this mentality took many years.” (interview #13)

In the early years of the Boutaris winery’s activities in Santorini, the firm sent representatives to the cooperative’s General Assembly meetings to address the producers’ concerns about the early harvest (Santo Wines General Assembly meeting minutes, Act 117, Jul. and Aug. 1989/ D5). The firm also placed several articles in the local press to explain the company’s strategy and vision:

“To reach the final aim, i.e. that the wine be in high demand, it’s not enough to have good facilities to produce such wine. What is mainly needed is good raw material, i.e. quality grapes. (...) Early harvest is one of the factors that influence in an important way the final quality of the grapes. (...) Unfortunately, these days and before the harvest even begins, various unfounded and false rumours are circulating about collusion (!) of the firm with the Cooperative, at the expense of the producers. Being fully aware of our responsibilities, we declare to you that this couldn’t be further from the truth. We are working together with the Cooperative with the sole aim of improving the quality of the product which is called wine.” (*Thiraika Nea*, Jul.-Aug., 379/ N4)

It is remarkable that decades later, even though it has been years since Yannis Boutaris has stopped producing wine in Santorini himself, he is still considered trustworthy, even by a producer who showed high degrees of suspicion towards the cooperative and every other private winemaker named in our interview:

“When he came, Boutaris helped the island a lot because he raised prices. He didn’t try to take the vineyards of the inhabitants, just their production. Beautiful things. He also passed on modern views, but not at the expense of the producer. These were positive, professional pressures, even if the Santorinians wouldn’t accept them.” (interview #31)

Boutaris’s work to upgrade Santorini’s wines had ripple effects across the local wine sector through a series of reinforcement mechanisms. Firstly, it gave the management board of the wine cooperative, which, as can be seen in the General Assembly minutes, already had its own modernising impulses, the necessary momentum to overcome the forces of inertia, suspicion, and state orientation, and to construct an ultra-modern new winery. As explained by the current Director of the cooperative, “the cooperative’s management used Boutaris as a lever to tell producers – see, Boutaris is coming here and making such a serious investment, so there is a future for Santorini’s wine” (interview #36). Secondly, as Santorini’s wines started to become more established, some owners of the island’s old underground wine cellars (*kanaves*), moved

from producing bulk to producing bottled wine (interview #71). Thirdly, a number of oenologists from Boutaris's firm, most notably Hatzidakis and Paraskevopoulos, eventually established new pioneering wineries in Santorini, leaving their own mark on the sector (interview #32, #33, #72). Fourthly, the efforts of all the aforementioned actors were facilitated by Boutaris's early investments in opening new markets for Santorini's wines. As mentioned by a local oenologist, "Boutaris covered the cost of finding exports markets entirely by himself. I don't know to what extent this has been recognised by the other winemakers" (interview #30).

The number of Santorini's grape producers was a lot higher than the number of olive producers in Bläuel's network. As a result, Boutaris, the cooperative and other private winemakers did not rely exclusively on trust and information provision to convince the producers to upgrade the way they cultivated grapes, but they also set a series of price incentives and rules to reward desirable improvements and punish production that fell below some minimum standards at each harvest (interview #32). As Boutaris recounts, "we were the first winery in Greece to implement a method of paying producers which was not based entirely on alcoholic degrees, but also on yield [i.e. quality<sup>7</sup>]" (interview #13). Santorini's wine cooperative also adopted this approach long before other Greek cooperatives, initially by paying a higher price for certain indigenous varieties (Santo Wines General Assembly meeting minutes, Act 149, Jul. 2000/ D5), and later by doing "quality-based classification of the grapes that we receive" (interview #36). Additionally, "there had to be discipline in the way the grapes were transported, only in crates and not in the traditional baskets from chaste tree, and of course they had to be transported immediately upon being cut" (interview #28).

Although the provision of price incentives plays a crucial role for inducing behavioural changes when a large number of actors are involved, those incentives must be carefully designed so that they don't backfire. One of the wine cooperative's more recent rules to encourage cooperative behaviour among producers entailed paying a higher price to producers who would deliver a higher share of their grapes to the cooperative. This measure is an example of a "user-alignment institutional strategy" (Venizelou 2015: 154/ S5), and as such it has support in economic theory. However, the reaction of a producer to this rule suggests that sanctions may "produce resentment and unwillingness to conform to the rules in the future" if "a large monetary fine [is] imposed

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<sup>7</sup> When the yield of the vines is too high, the quality of the wine declines.

on a person facing an unusual problem” (Ostrom 1990: 98). It is interesting to consider the producer’s explanation at length:

“Recently I have been taking most of my grapes to the merchants, because at the Union<sup>8</sup> they made a mistake, you understand? For all these years I had been taking my grapes to the Union. When Boutaris came and gave much higher prices to the others, I still took my grapes to the Union. I always gave them many tons, and lost a lot of money from the Union’s lower prices. Last year, for family reasons, I gave some grapes to [a private merchant] because he bought [goods] from the shop of my children. I did it for my children, not for economic reasons. Wouldn’t I give him three crates of grapes when he had bought all those things? So I took fewer tons to the Union, and they gave me 30 cents less for the white grapes and 50 cents less for the red grapes than they gave to those who took all their grapes there. To me, who all these years made a loss to bring grapes to the Union. So I got really angry, and this year I gave all my grapes to the private winemakers.” (anonymised Santorini interview)

Ostrom would suggest that such reactions show why sanctions need to be graduated. However, arguably the excerpt also highlights that it is important to take into account social norms and the involved actors’ implicit understandings of social contract when designing incentives to promote cooperative behaviour.

### 3.2.3 Resolving distributional conflicts through arenas for discussion in Santorini’s wine sector

No matter how successful a sector is, when a serious crisis hits and a new set of cooperative activities are needed to overcome it, leadership may be required once again to trigger the necessary adaptation strategies. The Eurozone crisis posed a serious threat to Santorini’s wine sector, as it dealt a major blow to domestic demand for upscale wines. The sector was able to get through and even thrive during the crisis by shifting towards foreign markets. A major initiative that helped Santorini’s wineries to achieve this was the collaborative *Wines of Santorini* marketing project, which was spearheaded by the US wine importer Sofia Perpera and Santorini’s wine cooperative. The project involved 13 wineries and targeted the North American market.

As recounted by the marketing manager of Santorini’s wine cooperative, it was Perpera who said “it’s a pity, Santorini is very important, make sure that you become organised, form a team with a contract [among the wineries]. So this programme ran on that contract” (interview #29). While Perpera supplied the idea for the project and also

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<sup>8</sup> Santorini’s wine cooperative is otherwise known as the Union.

provided assistance in putting together the application for EU funding, the wine cooperative assumed the role of project coordinator:

“As it had the human resources, the organisation and the economic capacity – because some things had to be paid in full before we got the money from OPEKEPE [the agency that disburses EU funding] – the Union undertook the role of Leader of that team. So I managed all this in terms of communication, in terms of how the events would take place and what we would do, and accounting and financial support has of course also been needed many times.” (interview #29)

Even if a small group of leading actors provided the idea and covered part of the upfront and coordination costs of the project, as discussed in the previous chapter, in intensely competitive environments such collaborative efforts are prone to stumbling on distributional conflicts. My interviewees described a process of overcoming these conflicts by carving out areas where they had clear common interests, while putting thornier issues aside for the time being:

“When we started this collective programme, given that each winery was at a different level in terms of distribution in the US, we set higher recognisability as the aim of the programme. We didn’t go to commercial exhibitions because this would truly be unfair, in the sense that if we went to a commercial exhibition as Wines of Santorini, those who already had an importer and a distribution network would increase their sales, while someone who didn’t have an importer wouldn’t gain anything.” (interview #29)

“[Joint marketing] is a common aim. So automatically, the other person gets in the mode that you’re not a competitor. It’s much easier to organise a promotion campaign in the US through a network, than to sit down and set a price for the grapes. That’s where you will fight.” (interview #33)

Interestingly, this common ground was discovered through discussions initiated by the leading actors and through frequent informal contact, for instance in wine exhibitions and competitions (interview #71), and not through deliberations within a formal association of Santorini’s wineries, which still does not exist today. Several actors agree that a formal association would generate even more opportunities to discover elements of common interest and could be beneficial for the sector as a whole (interviews #29, #30). Nevertheless, already today, despite intense competition among the wineries in many fields, “there’s a collective effort. I wouldn’t say there’s a collective spirit, but there is a collective effort. Always one or two people take the lead, but the others are behind and pay their share” (interview #30).



### 3.2.4 Leadership deficits in the Lemnos wine sector

Despite its potential, the Lemnos wine sector has suffered from two types of leadership deficit that have prevented its upgrading to a level that even approximates that of Santorini.

Firstly, leadership for quality improvement arrived a lot later in Lemnos than in Santorini. This was partly because in former times, the wine cooperative satisfied with a state-oriented model of development combined with bulk sales in the domestic market. It was also important that the cooperative's major private collaborators used a lot of Lemnos's wine in bulk, for instance as an input for the *Metaxa* cognac-like drink, and did not showcase Lemnos as a special wine-producing region in the same way that Boutaris did for Santorini.

A major step towards quality improvement in Lemnos took place with the arrival of the private winemaker Chatzigeorgiou in the early 2000s. The oenologist at the Chatzigeorgiou winery describes a by now familiar set of strategies to convince the grape producers in the winery's network to upgrade their production methods: "the main incentive for all the viticulturists, it's no use lying, is the payment." In addition, "once a year I ask the farmers to come to the winery and we talk, if there are any problems, any complaints, or if we want to say something. This is a relation that is built gradually, right?" Thirdly, the winery sets certain rules and standards, and if the producers repeatedly fail to comply, as a last resort the winery may exclude them from the network. As a result, "whereas they used to tell us I know from my uncle, my dad, my grandpa, gradually the producers learned to listen" (interview #79).

After a major debt crisis which, by the early 2010s, posed a serious threat to the cooperative's continued existence, in the last five years the cooperative has also been investing in the arduous task of re-building trust with the producers and improving quality to become viable in the market. The incremental strategy for constructing trust that the cooperative's current Director describes is very similar to the strategies followed by Bläuel and Boutaris: "I set targets each time, that you will be paid this share of your production till then, and I managed to meet them. And as long as I was punctual in that, [the producers] trusted me" (interview #78). Moreover, a three-member committee now checks the quality of all grapes upon delivery to the cooperative, imposing sanctions in terms of a reduced price if the grapes fall short of certain minimum standards, and social rewards if the production is particularly good (interview #78). As a result, as the private

winemakers attest, “thankfully the Union has now changed its practices and has improved its quality very much” (interview #79; this point was also confirmed in interview #82). Nevertheless, the fact that those improvements happened so recently means that the reinforcement mechanisms described previously for the case of Santorini have not had the time to set in.

Moreover, in a context of greater financial constraints than in the 1990s and in the absence of leading actors who are willing and able to spearhead horizontal collective efforts in the Lemnos wine sector, distributional conflicts and the difficulty of covering upfront costs have prevented cooperative activities for marketing and for opening new export markets. Indeed, in my interviews in Lemnos it seemed that most actors agreed that in theory, cooperation could be beneficial, but considered that someone else should take the lead to make it happen:

“-[Director of the wine cooperative]: The truth is that although they are more flexible and they can plan better what production they will receive, in many areas private winemakers wait for the cooperative to pull forward. But the cooperative had its issues and couldn’t pull forward in previous years.” (interview #78)

“-[Private winemaker A]: The locomotive, Kira, de facto is the cooperative. If the cooperative isn’t doing well, we have a problem. Private winemakers can manoeuvre more easily, but the quantities they buy can’t be compared with the quantities of the cooperative” (interview #80)

“-[Private winemaker B]: Once or twice I had suggested it to the agronomists of the Agriculture Ministry in Lemnos, I had told them you should gather the winemakers etc. so that we can do something collectively as Lemnos. (...) But the way to reach a common understanding has not been found.” (interview #79)

“-[Employee at the wine cooperative]: Once [the environmental association Anemoessa] had organised round tables for different sectors in the framework of an event. (...) They gathered us altogether to sit around the same table and talk about our concerns. It was a very nice initiative, and such initiatives must take place institutionally. (...) Essentially there must be institutions, whether they are state or private or anything, which will be able to bring people around the table to discuss.”

In short, a wide range of stakeholders in the Lemnos wine sector agree that horizontal cooperation for marketing and export promotion would be beneficial and recognise that the supply of cooperative institutions is necessary for such cooperation to emerge. However, it seems that at the moment, no actor is in a position to spearhead the supply of those local-level cooperative institutions.

Overall, while the leadership recently shown by two or three private wineries and the cooperative for vertical quality improvement creates the conditions for an upward trajectory for Lemnos's wine sector, the continued lack of leadership for horizontal cooperative activities dampens the sector's progress.

### 3.2.5 Alternative explanations for the success of Santorini's wines relative to Lemnos

Other than the leadership explanation that I have put forward, there are two major potential alternative explanations for the higher degree of upgrading in Santorini's wine sector compared to Lemnos's. Firstly, an argument repeated often both by Santorinian and Lemnian actors is that Santorini's wine sector was able to reach today's level due to the recognisability conferred to the island by tourism (interviews #34, #35, #37, #71, #79):

“Santorini is not a good case to study, because it's not representative. Its development was to a large extent random. It's true that the wine is high-quality, but a significant part of what helped was tourism, i.e. luck.”  
(background discussion with a former oenologist at a Santorinian winery)

I do not contest that Santorini's fame and the wineries' ability to do “domestic exports” (interview #29), i.e. to sell wines directly to tourists, have substantially reinforced the wineries' marketing and distribution efforts. Nevertheless, it is important to recognise that tourism also generates a competing land use which, given Santorini's small surface area, puts a lot of pressure on the wine sector (Vlahos *et al.* 2016: 7/ S7; interviews #28, #34, #35, #36). In fact, given how much money one can quickly make by converting one's vineyard to a guest house, and given the historic lack of town planning regulations to prevent the conversion of agricultural land to built area, in a way it is surprising and a testament to the success of the wine sector that it survived Santorini's touristic development at all. Indeed, mass tourism in Greece has not always gone hand-in-hand with the development of upscale agriculture; as a result, the explanation for success or failure must be sought endogenously in each local agricultural sector.

Secondly, a *long-durée* explanation would point to Santorini's old wine-making tradition: “we're talking about a grape that is in itself unique, it has old roots, there hasn't been an interruption in its cultivation for thousands of years, it's an exceptional phenomenon, a very rare microclimate” (interview #33). Indeed, before the Russian Revolution, Santorini's sweet wine was exported in large quantities to Russia to be used in the Holy Communion (interview #33). On the other hand, the wines that Santorini

produced in the late 1980s were “useless” (interview #13): “nobody was interested to buy such a degraded wine” (*Thiraika Nea*, Sept. 1988, 380/ N3). Moreover, Lemnos’s vineyard also has thousands of years of tradition: according to the Iliad, the Achaeans drank Lemnos’s red wine during the siege of Troy. Modern wine-making methods were introduced in the island as early as in the 1920s, when the private winemaker Zavalakis brought in a French oenologist and started producing bottled wine. More broadly, in the nineteenth and early twentieth centuries Lemnos had a track record of charitable donations by wealthy members of the extrovert Lemnian diaspora, and of managing them through cooperative institutions on the island (Lagopoulos 2016: 71-72/ S10; Bakalis 2007: 325-333/ S12). The similarities in the two cases’ long-term trajectories make it imperative to seek shorter-term, micro-founded explanations for the observed difference in sectoral outcomes.

### **3.3 Overcoming entrepreneurship problems and social fragmentation: the “incremental proof of concept” strategy and the creation of a conception of shared interest in the *mastiha* and saffron sectors**

#### **3.3.1 Supplying institutions for quality improvement in Chios and Kozani**

Vertical quality improvement is also a relevant concern in the Chios *mastiha* and Kozani saffron sectors, both of which are governed by obligatory cooperatives that have the monopsony over the raw material. An examination of the techniques used by the Chios cooperative to improve the quality of the raw *mastiha* confirms the importance of price differentiation for quality upgrading when the number of producers is large. While, being obligatory, the cooperative always buys the entire quantity of *mastiha* submitted by a producer, in recent years “we do sample-taking and classify *mastiha* in terms of size and clarity”: the price that the producer receives depends on those two factors (interview #62).

Moreover, the Chios case study adds an interesting element to the picture of successful institutional design for boosting vertical cooperation along the supply chain, namely that producers seem to be readier to accept costly quality improvement measures if these are overseen in a way that is easy to understand and transparent. In particular, the mechanisation of the means of controlling the raw *mastiha* upon delivery to the cooperative appears to have increased the confidence of the producers that they are treated fairly. As explained by a producer,

“the cooperative progressed a lot. (...) They brought lots of machines, because, let me tell you, here we used to have people who sieved the *mastiha*, workers, but each one had his opinion about whether it is clear or not. If we had five people, there were five images of the *mastiha*. And so we ended up bringing machines.” (interview #61)

A local consultant confirmed this point: if before the mechanisation of the delivery process, “things were much more subjective and there were fifty complaints about the process within a thousand deliveries, now there are five complaints.”

Interestingly, despite some quality improvements in the saffron sector due to the purchase of processing equipment by the saffron cooperative and despite the emphasis of the cooperative’s President during the 1990s on transparency (interview #53; PDO application for the ‘Kozani saffron PDO’ designation, 24/2/1997/ D2), neither of the two techniques described above is currently used in Kozani. On the one hand, the cooperative buys raw saffron at a uniform price, regardless of quality and cleanliness (interview #54, #55). On the other hand, a solution that was discussed during my fieldwork in Kozani as a potential way to address the problem of foreign bodies sometimes found mixed with saffron, is indicative of a lack of transparency and the perpetuation of an atmosphere of mistrust. The solution discussed was to hire two groups of women from the village to control the cleanliness of the delivered saffron, but without telling the first group that the second group would also be hired. If a woman in the second group found foreign bodies mixed with the saffron in a tin that had already been controlled by a woman in the first group, then that woman would not be re-hired. If simplicity and transparency are indeed important for establishing confidence in a system of rules about quality improvement, then the solution discussed in Kozani was unlikely to contribute to that direction.

### 3.3.2 Communicating a new entrepreneurial idea in the Chios *mastiha* sector: the “incremental proof of concept” strategy

The supply of cooperative institutions for vertical quality improvement is relevant in most agricultural sub-sectors. However, the challenges associated with horizontal cooperation are of a different nature when the objective is radical innovation. In the wine industry, the main challenge of horizontal cooperation was for the actors concerned to overcome distributional conflicts that inhibited the adoption of cooperative strategies whose potential benefits were understood. On the other hand, in the *mastiha* and saffron sectors, in order to cooperate for the production of innovative, differentiated products, the

actors also had to overcome severe cognitive obstacles, and in particular higher hurdles of entrepreneurial discovery.

The Chios *mastiha* case study shows that a small group of leading actors can perform the crucial work necessary to change the mental models used by economic actors to evaluate the costs and benefits of different types of strategies, if they supply an innovative entrepreneurial strategy in the form of a concrete plan, and prove its viability incrementally. These two tasks were conducted in Chios by Yannis Mandalas, who was hired by the *mastiha* cooperative in 2001 to implement a reorganisation of the institution, and by the cooperative's then President Kostas Ganiaris, who supported the implementation of Mandalas's plans.

When I told one of my interviewees in Lemnos that I was also studying the Chios *mastiha* sector, he responded:

“Did you talk with Yannis Mandalas himself? Did you understand that the whole story of *mastiha* has been constructed by a man called Yannis Mandalas? The entire branding was created by Yannis. It's one man, a one-man show.” (interview #76)

This view is exaggerated if one considers all the types of institutional work that must be done to bring about sustainable change. Nevertheless, it holds an element of truth with regard to the origins of the entrepreneurial idea that opened the path to the transformation of the *mastiha* sector. The basic idea was for the cooperative to found a subsidiary company, *Mediterra*, which would create an innovative series of retail stores in Greece and abroad – the *MastihaShops* – selling a range of *mastiha* products and other upscale Greek agri-food goods. As Mandalas explains, “the *MastihaShop* is an idea I had worked on a couple of years earlier, before collaborating with the cooperative. But in order to win the battle, I proposed to implement it with the cooperative, and the management was easily convinced” (interview #58). The former director of the *mastiha* cooperative confirms this point:

“Mandalas was the one who had the idea of *Mediterra*. And the board listened to him. He's convincing, he's good, that's how these things happen. He struggled, he fought to succeed. It was hard with the producers. I preferred to go along with them, but he went against. You take your hat off for these things.” (interview #60)

In the context of the statist orientation and suspicion of both state actors and private entrepreneurs described in the previous chapter, coming up with such an entrepreneurial idea was one thing, and implementing it through the establishment of a

subsidiary company in a big agricultural cooperative was another thing. As explained by the former director of the cooperative,

“even if the Union had rigidities, even if it had problems, (...) it also had social control. (...) The subsidiary company does have representatives of the Union, but they are technocrats, it’s not the farmer who is a representative there.” (interview #60)

As Mandalas recounts, his ability to implement his plan was firstly thanks to the support of the cooperative’s elected management at the time, and particularly of President Ganiaris, who was willing to take the risk and political cost of backing the project (interview #58). Secondly, Mandalas followed a strategy of incrementally demonstrating the benefits of his plan, building on small successes first and implementing more costly decisions later, which proved to be very successful:

“Very quickly I realised that if I didn’t have any victories at the start, let’s say in the first six months or in the first year, everything I suggested would remain in the drawer of an office. When I realised this thing, I suggested the creation of the *MastihaShops*. (...) One year later the subsidiary company was founded, and the first shop opened. And truly, it was such a success, that it precipitated everything else. It precipitated the reorganisation, and the belief that you know, things can change, a wind of optimism. This victory also limited the reactions regarding the crux of the matter, which was the reorganisation of the cooperative.” (interview #58)

In other words, showing results plays a crucial role for creating buy-in. Therefore, ensuring that a project yields a few small, low-cost successes early on, can be crucial for getting the relevant actors to back a new strategy (see also Ostrom 1990: 137).

### 3.3.3 Creating a conception of shared interest in the Chios *mastiha* sector

In addition to coming up with and projecting an innovative entrepreneurial vision, the Chios *mastiha* cooperative had to overcome the problem of social fragmentation with private agri-food firms, many of which viewed its new project as a threat. To do that, the cooperative needed to create a conception of shared interest in the sector, whereby it would be seen as an ally rather than a competitor of other actors. As the former President of the cooperative Ganiaris recounts, this was not an easy task:

“We played our heads in a coin toss. (...) We met rabid reactions, really rabid. It’s enough to look at the press. Various people wrote articles, the President of the Chamber of Commerce came out against us, business people came out saying that ‘your role is to cultivate the fields, we are the ones who sell’, they took us to court. (...) We went through a series of lawsuits, and came out with

toil, financial costs, and personal costs. This is how we crossed the Rubicon.” (interview #63)

Ganiaris and Mandalas employed two strategies to forge a conception of shared interest with other private agri-food firms. The first one was to use the *Mastihashops* not only as a means of producing and selling final *mastiha* goods, but also as “a marketing tool to communicate the different uses of *mastiha*”, no matter who processed it. As Mandalas further explains, “what is our aim? To sell *mastiha* at the best possible prices. (...) What did we do in practice? We disseminated ideas. (...) What I want to say is that we also protect the competition. We don’t try to monopolize the situation” (interview #58). The following anecdote is worth quoting at length because it typifies this strategy:

“Do you remember that 10 years ago ION [a Greek chocolate company] had circulated a chocolate bar with *mastiha*? How did that happen? Well, we went to them, and we did a presentation, asking them to make chocolate with *mastiha* for our brand. The first meeting didn’t bear fruit. We said OK, we will try again. Two weeks later we returned, having gone first to [the well-known chef] Stelios Parliaros, who produced a few white and dark chocolates with *mastiha* for us. They tried them and they liked them very much. Three months later, they had developed some trial chocolates for our brand, and we were ready to place an order for 3 tons of chocolate, as we had previously agreed. However, at the meeting they asked us to increase the order to 10 tons. I said alright, even though this was a very large quantity for us. Then at the next meeting, they asked us to buy 30 tons. What had happened? They liked the product so much, that they wanted to produce it under their own brand name. I said look. We came here to buy chocolate with *mastiha* because we believe it can be commercially successful. But even if you say that you won’t produce it for us, of course we will still sell you *mastiha* to make your own chocolate. (...) Last year, Leonidas in Belgium produced their first *mastiha* pralines. Which means, you know what? Our proposal endured in time.” (interview #58)

In short, by designing and then freely disseminating novel ideas about *mastiha* products, the cooperative’s subsidiary not only alleviated fears that it would use the cooperative’s dominant position in the sector to drive private firms out of the market, but it also enlisted the private firms as allies in its effort to dramatically increase the consumption of *mastiha* products in Greece and abroad.

One of the cooperative’s most important allies in that process was the CEO of the alcoholic drinks company Concepts SA, Dimitri Steinhauer, who spearheaded the production of *mastiha* liquor: “all the work on the liquor, this boom that took place, was started in reality by Concepts SA. Steinhauer built the market and made *mastiha* liquor fashionable, and the others followed” (interview #59). As Steinhauer points out in a stark



way, the second strategy that the *mastiha* cooperative followed to present itself as an ally of private firms was to guarantee the quality and authenticity of raw *mastiha*:

“– [Me:] How does the peculiar way in which the *mastiha* sector is governed, through an obligatory cooperative which has a monopsony of raw *mastiha*, affect you?

– [Steinhauer:] It only affects us positively. It guarantees that someone gives us a specific quality, and at the same time it guarantees that others won't find bad quality to ruin the market. So when this thing is regulated with this exceptional method that the Union of *Mastiha* Producers has, with all the problems which are totally theoretical and which I don't know about, nor do I occupy myself with them, this gives us a major guarantee in order to invest on this story, because we know (...) that the raw material will continue to have the value and credibility that it has today.” (interview #65)

The description of the cooperative's monopsony over raw *mastiha* as “an exceptional method” of governance by a private firm is truly remarkable, and a testament to the cooperative's success in forging a conception of shared interest in the sector.

Overall, the *mastiha* cooperative under the Presidency of Ganiaris and its subsidiary under the leadership of Mandalas followed a series of costly and risky strategies which resulted in the dissemination of a new entrepreneurial vision and the forging of a new sense of shared interest among producers, the cooperative and private firms in the *mastiha* sector. The institutional work performed by those leading actors, which was reinforced by the work that was then carried out by a few pioneering private firms like Concepts SA, is the key for understanding the transformation of the sector in the 2000s.

#### 3.3.4 Leadership deficits in the Kozani saffron sector

An innovative entrepreneurial strategy, expressed in a concrete, step-by-step plan to be implemented by a specific team, was never articulated in the Kozani saffron sector in the same way that it was in Chios. The view that continues to prevail in Kozani is that saffron is “like a stock-market product” (interview #56; similar comments were expressed in interviews #54, #55): it is still principally seen as a commodity whose fortunes depend on the global price, rather than as a potentially valuable input for differentiated local products.

This view persists despite the fact that over time, a number of positive steps have been made towards creating differentiated products with Kozani saffron. In the late 2000s, the saffron cooperative embarked on a joint venture with the private company Korres to

produce herbal drinks with Kozani saffron. Although the cooperation had recently unravelled when I did my fieldwork, it was seen by most actors in the sector as “a positive move” (interview #52) and a “good effort” (interview #53). Moreover, in the 1990s, the cooperative’s management board under the presidency of Patsilias took a number of important initiatives, such as the adoption of the ISO standards early on and the creation of a recipe book where saffron was used as an ingredient, something new in Greek cuisine (interview #53; Voutsina 1999/ S3). Indeed, despite the continued dearth of processed agri-food products with Kozani saffron, the number of Greek chefs using Kozani saffron as an ingredient in their recipes continues to be on the ascendant.

It is possible to hypothesise that those initiatives didn’t have an even bigger and longer-lasting impact on the sector partly because there wasn’t enough continuity after Patsilias left the cooperative, and partly because Patsilias’s ideas didn’t have the focus of Mandalas’s project for the *mastiha* sector. Indicatively, in our interview, Patsilias mentioned at different moments that he tried to pursue two seemingly contradictory strategies to tackle the problem of foreign bodies mixed with the saffron. On the one hand, he tried a strategy of greater centralisation of production, where the processing of the crocus flowers would take place in its totality in the cooperative’s premises, solving the problem of the variable hygienic conditions at the saffron producers’ homes. On the other hand, he also tried a strategy of greater decentralisation, where the producers would be given the tools to deliver the saffron to the cooperative in its final, packaged form, solving the difficulties associated with hiring women to clean the raw saffron at the cooperative (interview #53). Similarly, a business plan that Patsilias composed shortly before the end of his tenure included the aim of a “scheduled and controlled expansion of the cultivation”, but also exhorted producers to utilise family labour to collect the crocus flowers rather than hiring workers, an advice that runs counter to the aim of scaling up (Patsilias 1999: 66, 69/ D1). Contrast this ambivalence to the approach of the Chios cooperative, which clearly prioritised the centralisation of processing and the simplification of the tasks that the producers had to carry out, enabling them to deliver higher quantities. In turn, the increase in the quantity produced compensated for any losses in the per kilo producer price due to costs associated with the centralisation of processing.

More fundamentally, no matter how many good ideas the different management boards of the saffron cooperative produce, a thriving saffron ecosystem will not be created in Kozani unless one or more leading actors take the initiative and perform the costly

work necessary to generate a conception of shared interest in the sector. Until then, given the persistent sense of fragmentation between the cooperative and Kozani's agri-food companies, the view will continue to prevail that the less the competition from other firms, the better (interview #55, #57), and that as "the others don't care about the development of the sector as a whole", each actor does best by looking after his/ her own interests (interview #52).

### 3.3.5 An alternative explanation for the success of Chios's *mastiha* relative to Kozani's saffron

A *long-durée* explanation of the higher degree of cooperation in the Chios *mastiha* sector compared to the Kozani saffron sector would point out that as a form of governance, "obligatoriness has a past [in Chios]. The obligatory cooperative is the continuation of a model of organisation that has been implemented since approximately the 13th century", when the Genovese set up a company that assumed the exclusive sale of *mastiha*, the *Maona* (interview #58). Additionally, Chios is mentioned as a historically "dynamic community" by the historian of "the spirit of cooperation of the modern Greeks" Koukkidis (1948: 48). As a result, the argument could be made that it is not a surprise that cooperation developed in the Chios *mastiha* sector also in the early twenty-first century.

This argument suffers from two problems. Firstly, like most places, Chios has a mixed history with periods of high cooperation and high prosperity, and periods of low cooperation and crisis. It is telling that in the 1930s, a time of crisis and social unrest, one of the principal arguments of those opposed to the creation of the obligatory cooperative had to do with "the lack of cooperative mentality and consciousness among the producers" (Tsouhlis 2011: 128/ S2). Secondly, even if this is sometimes forgotten today, Kozani also experienced a period of strong community bonds and extroversion in the late Middle Ages, as it was one of the bases of prosperous merchants in Western Macedonia whose tightly-knit commercial networks reached until Austria-Hungary and Russia (Siampanopoulos 1993: 178-180/ S4). Indeed, it was "this class of Greek merchants, [from which] many big benefactors emerged", that brought the crocus flower in Kozani from Austria in the 17<sup>th</sup> century (Siampanopoulos 1993: 178-180/ S4; Voutsina 1999: 26/ S3). This is not to suggest that history does not affect the prospects of cooperation today, but to argue that recent historical events, which have a direct and traceable bearing on

contemporary local-level institutional settings, should be given a far higher analytical weight than events which took place centuries ago.

### **3.4 Overcoming public-good provision problems: the attraction of funding and the supply of negative selective incentives in the alternative tourism sector**

#### **3.4.1 Ambelakia as the paradigmatic case where cooperation should emerge from a “history as destiny” perspective**

If cultural approaches to cooperation held explanatory power in Greece, the first location where one would expect cooperation for upgrading to emerge is in the village of Ambelakia near Larissa, where it is said that “the first cooperative in the world” emerged and thrived in the 18th century, selling red-painted cotton threads to trade destinations across Europe. Writing in the 1940s, a historian of Ambelakia explained the cooperative’s success citing “the spirit of cooperation that animated the residents of Ambelakia”, and reached the following remarkable conclusion based on the village’s experience, challenging the view that Greece has low social capital altogether:

“Greece could have continued its right way of life, relying on the spirit of cooperation which is so fitting with the natural character of its inhabitants. And instead of going abroad begging for funds, only to repay them a thousand times higher, toiling a thousand times more, it could create them, by following the advice of the founders of the great cooperatives. This is even more so, given that the Society of Ambelakia, like the other Greek cooperatives, showed an exceptional ability in this field.” (Koukkidis 1948: 98)

The locals in Ambelakia are acutely aware and very proud of this legacy: “the [historic] ‘Cooperative’ is a topic that Ambelakiots discuss almost daily, in a narrower or broader way” (Stavros Mariadis, First conference of Ambelakiot Studies” proceedings 1994: 23/D12). As the President of the local Museum of Folklore and History insisted during my visit, “in Rochdale, in England, they also formed a cooperative later on, and today they claim that it was there where the first cooperative in the world was formed. But this is not true. The first cooperative in the world was formed in Ambelakia” (interview #48).

Nevertheless, the obstacles to cooperation analysed in the previous chapter appear insurmountable in Ambelakia, whereas they were overcome in Nymphaio. Like other Greek mountain villages, Nymphaio also has a history of a tightly-knit community in the early modern period, including illustrious merchants and benefactors whose economic activities reached “Constantinople, Xanthi, Kavala, Thessaloniki, Cairo, Alexandria, Lausanne, Brussels, Hamburg, Oslo and Stockholm” (“Nymphaio: Fair-tale with a

name”/ D7). However, Nymphaio cannot tell an equivalent “story” about a historic cooperative spirit as Ambelakia (Sabel: 1145-1146). Adding to the puzzle, at 1350m. altitude, Nymphaio is very hard to reach, whereas Ambelakia is well-located in close proximity to Greece’s most frequently used highway between Athens and Thessaloniki. Moreover, Ambelakia is home to a set of 18<sup>th</sup>-century mansions – above all the mansion of George Schwarz, President of the historic cooperative – which are among the rarest, most beautiful, and most well-taught examples of Greek late medieval architecture. While Nymphaio – again, like other Greek mountain villages – was also in a position to showcase a number of important cultural and natural resources to attract tourism, the cultural and natural resources that Ambelakia has at its disposal are outstanding.

#### 3.4.2 The leadership work performed by Mertzos and Boutaris in the Nymphaio alternative tourism sector

Rather than the social bonds inherited from the *longue durée* or the characteristics of the pre-existing local resources, it is the institutional work conducted by two leading actors that is key for understanding why, when and how cooperation among local stakeholders emerged in Nymphaio. Those leading actors were Yannis Boutaris, who opened the first two hotels in the village in the 1980s<sup>9</sup>, and Nikos Mertzos, the President of the Nymphaio Commune between 1995 and 2006.

Like in the case of radical innovation in the agri-food sector, creating an alternative tourism flow where there was none before firstly requires that one or more leading actors introduce and gradually establish the credibility of a vision centred around a novel entrepreneurial idea. In the case of Nymphaio, that idea was to revitalise the village through alternative tourism:

“A big reversal needed to happen: we had to reject all the models of Greek development, and to win the Future from the Past, overcoming the derelict Present. Nymphaio didn’t have anymore, nor could it have, either silversmithing or commerce. And it never had noteworthy primary production. But it did have at its disposal its golden past, a bright cultural heritage, and virgin Nature of exceptional beauty, which, due to abandonment, had not been tainted. This heritage had to be rescued, showcased and utilised. A society had to be created, and it had to be youthful. (...) Only tourism could offer all this to Nymphaio.” (“Nymphaio: its revival in images”/ D8)

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<sup>9</sup> Yannis Boutaris was also the pioneering winemaker who played a key role in the transformation of Santorini’s wine sector. When I selected my cases for this project, I was not aware of his involvement in either case.

As Mertzos recounts, this vision is primarily attributable to Boutaris: “Yannis Boutaris insisted a lot on mild tourism, he didn’t want any cars or anything, and he turned out to be right” (interview #14). And while, as was seen in the previous chapter, the locals were initially disbelieving that the various initiatives of Mertzos and Boutaris, such as ceding communal land to create a shelter for brown bears or a summer camp for children, made any sense, gradually, when visitors started to arrive in the village, the locals’ mental models and incentive structures started to change: “At the start, the locals reacted very strongly against giving communal land for the YMCA summer camp, but then they started benefiting from the camp because visitors starting coming during the weekends ” (interview #13). Soon enough, local residents who had previously been occupied in animal-herding or in small village stores, started operating their own hotels and restaurants (interview #16). As a result, the initiative of Boutaris and Mertzos took a life of its own.

Nevertheless, unlike in the agri-food sector, in order to create a tourism flow it is also necessary to supply novel attractions and conduct infrastructure projects, which are in essence public goods. Mertzos and Boutaris invested considerable time and resources to find ways to fund the provision of these public goods, utilising a variety of avenues. Firstly, as Commune President, Mertzos spearheaded the submission of a number of successful applications for EU funds, soliciting volunteers to conduct the required studies and utilising the Nymphaio Commune’s income, which derived primarily from the exploitation of its forest estate for timber, to provide the required co-financing of 30 to 40 percent (interview #14). Boutaris and Mertzos also lobbied for and acquired considerable funding from the Greek state, and they attracted a range of major private donations by both Nymphaiots and non-Nymphaiots.

The imposition of social selective incentives by Mertzos and Boutaris also played an important role for overcoming coordination problems in Nymphaio. Social selective incentives were important for getting local property owners to renovate their homes, a very costly undertaking particularly due to Nymphaio’s status as a settlement with a protected architectural character:

“President Mertzos exerted pressure on them; he called them and asked them whether they aren’t ashamed to let their house disintegrate, ruining the image of the entire village, when in fact they have money to restore it. This is how one motivated the other.” (Interview #16)

Negative selective incentives were no less important to avoid cases of divergence from the architectural rules, particularly given the state's lack of willingness and capacity to intervene and punish infractions. For example, Mertzos recounts that "when one guy tried to put shutters, I made a fuss" (interview #14). In one case, Mertzos was reported to have even ordered the tearing down of an illegal construction (anonymised Nymphaio interview). Negative social incentives were also imposed on business owners whose services were of a lower standard than Mertzos and Boutaris considered necessary for their project to succeed:

"I was quarrelling with the taverna-owners of the village who would buy aubergine salad in bulk from Ptolemaida. I told them that if they want clients, they should make local products. And they hated me because I used to send my clients to other villages with award-winning tavernas. Well, others liked me, it depended on the mentality of each one." (interview #13)

As this quote shows, imposing positive and especially negative social selective incentives comes at a cost. In contrast to Ostrom's cases of established cooperation (1990: 95-96), at least at the early stages of breaking away from a low-cooperation equilibrium, this cost is unlikely to be covered endogenously through the actions of multiple members of a community, but must be covered by a small group of leading actors.

### 3.4.3 The double crisis of Nymphaio in the 2010s and the renewed need for leadership

After a period of prosperity in the 2000s, Nymphaio entered a phase of serious crisis in the 2010s, from which it is still struggling to recover.

The crisis had two causes. Firstly, the Eurozone crisis brought about a significant decline in upscale domestic tourism, on which Nymphaio depended (interview #13). Secondly, following the administrative reform known in Greece as "Kallikrates" in 2011, Nymphaio was stripped of its status as an autonomous Commune and was incorporated in the larger municipality of Amyntaio. Significantly, the communal income that was generated from Nymphaio's forest estate, which had been acquired by the Nymphaiois during Ottoman times (interviews #14, #15), was taken away from the village and given to the Amyntaio municipality, making it a lot harder for the actors in Nymphaio to invest the resources required to access outside funding. As explained by the last President and current Secretary of the Nymphaio Commune, the Folk Art and Silversmithing museum of Nymphaio is currently closed as the municipality is unable or unwilling to devote the funds to pay the salary of the guard. The second phase of the artificial lake project that the Nymphaio Commune had initiated "was never completed, as the Municipality cannot

provide €500,000 and there are no development programmes anymore” (interview #16). The problem is that the economic structures and needs of Nymphaio and the surrounding villages are very different (interviews #14, #15), something that can also be seen in a leaflet of the Amyntaio municipality on the “Productive Activities of the Area”, which devotes fourteen pages on agriculture, two on energy production and none on tourism (“Productive Activities of the Area”/ D9).

There are two ways for Nymphaio to recover from this crisis. The first way is to act through the Amyntaio municipality, which would require finding a way to overcome the deep-seated reciprocal sense of social fragmentation between Nymphaio and the surrounding villages. The second way is to devise and implement a cooperative strategy for expanding into new tourism markets outside the institutions of local government, for example through forming a business association. Given that, as a local put it, “one must give in order to get”, both paths are ridden with obstacles. With Mertzos having retired and Boutaris having sold his original hotels to locals, these obstacles will be very difficult to overcome in the absence of a renewed impetus by another set of leading actors.

#### 3.4.4 Leadership deficits in Ambelakia

Over time, a remarkable range of good entrepreneurial ideas concerning Ambelakia have been expressed. In a conference organised by the Cultural Association of Ambelakia as early as 1994, different speakers suggested that Ambelakia could develop cultural tourism, athletic, hiking and horse-riding tourism, conference tourism, and even that, given “today’s ecological conscience” in Europe, there could be a revival of the traditional plant-based dyeing techniques for textiles (“First conference of Ambelakiot Studies” proceedings 1994: 82-83, 91-92/ D12). However, these ideas tended not to be expressed by the actors who were in a position to implement them, with the result that, as was seen in the previous chapter, a state-oriented mentality persists among the main stakeholders in Ambelakia today. It is remarkable that even the historically most active actor in Ambelakia, namely the Cultural Association under the Presidency of Asterios Vogias in the 1990s, focused mostly on showcasing the cultural heritage of the village, without implementing a rounded strategy to revitalise the economy of the village (see the aims and activities of the association as described in the “Centre of Cultural Heritage of Ambelakia” and “Ambelakia of Thessaly” leaflets/ D11).

Moreover, the Tembi municipality, where Ambelakia belongs since the Kallikrates reform, has adopted a revamped promotion strategy in recent years that the



local actors consider positive (interview #51). However, even that tends to target tourists from neighbouring areas and countries that visit the municipality primarily to go to the beach on the other side of the mountain, rather than addressing the nature-loving and culture-seeking middle- and high-income tourists who could sustain an alternative tourism flow in Ambelakia (“Annual Programme of Tourism Promotion” documents, 2016-2018/ D10). Additionally, like most Greek local authorities and unlike the Nymphaio Commune before 2011, the Tembi municipality sees its role as limited to promotion efforts, and does not participate in the management and enhancement of the touristic product.

On the other hand, when the stakeholders in Ambelakia do attempt to implement promising strategies to boost tourism in the village, they tend to stumble on the obstacle of finding the time and resources required to implement them. The village’s only hotelier, Sotiris Kourias, who by all accounts participates in every collective effort to attract visitors to the village (interviews #50, #51), describes that in recent years he designed a bicycle to run on the old railway tracks traversing the “magical landscape” of the Tembi valley. However, the project has stagnated due to bureaucratic obstacles, which Kourias (unlike Mertzos in Nymphaio) feels powerless to overcome:

“I sent a proposal to the [train company] one-and-a-half years ago, asking them to let me turn the abandoned tracks into a touristic enterprise (...) and I still don’t have an answer, either negative or positive. After one-and-a-half years. With such response speeds by a company or the public sector, this project can’t progress.” (interview #49)

In turn, the current President of the Cultural Association mentioned that “we tried once to organise a Reunion of Ambelakiots in the summer, but not with full success. We need to search for them and send them letters, in order to incentivise them to come. It’s something that I need to deal with” (interview #51). Confronting the Greek bureaucracy and mobilising the Ambelakiot diaspora to make donations and renovate their homes are both activities that require considerable time, effort and resources. However, as mentioned by an employee at the Schwarz mansion, “the efforts that are done are small and piecemeal.” In short, “there isn’t let’s say a leading figure in all this” (interview #49).

### **3.5 Overcoming coordination and public-good provision problems when the number of actors is large: the role of imitation and the limits of local-level leadership in the mass tourism sector**

#### 3.5.1 The role of leadership and imitation in overcoming coordination problems

Despite the costs associated with being a first mover in terms of adopting an upgrading strategy in the mass tourism sector, some mass tourism destinations in Greece have succeeded to upgrade. These include a number of areas in Santorini, and particularly the area along the caldera between Oia and Imerovigli, which has developed as a luxury tourism destination, and more recently also the seaside town of Kamari, which has succeeded to attract higher-income tourists than in the past. Moreover, the inland village of Pyrgos only became a popular touristic destination in the last decade, and developed as a high-quality destination from the start.

Once again, these upgrading successes are at least to some extent attributable to the role played by a small number of leading actors, who were willing to undertake the cost and risk associated with upgrading first. The reason why these efforts were successful has to do with the role of imitation in upgrading processes. Unlike what is expected by many actors who are reluctant to upgrade in areas with a low-quality equilibrium, when an entrepreneur decides to upgrade, the other actors often don't simply continue doing business as usual while enjoying the positive externalities of the pioneering entrepreneur's upgrading. Instead, they tend to imitate the pioneering entrepreneur and to implement the exact same upgrading strategy in their own business:

“In Kamari there are 200-300 shops in a straight line of around 1.5km along the seaside pedestrian road, which all offer the same thing. So some entrepreneurs decided, very intelligently, to upgrade their shop. Within two years, as soon as their neighbour saw the flow towards the [upgraded] shop, he understood. (...) As soon as he saw that the people now arriving next door were better dressed, more polished, (...), he understood that alright, I will upgrade my meats, I'll upgrade my wines.” (interview #68)

A similar story was recounted by the founder of one of the first upscale hotels in Pyrgos:

“My son designed our hotel as a prototype. When the others saw the construction and the whole situation, they started saying alright, let's do something as well. And that's good, because they – they didn't exactly copy, but they did something good in order to succeed. Many asked my son to design something similar. So all the little houses and complexes that are being built are not big, but they are of a good quality, a good category.” (interview #70)

The interesting thing about these quotes is that the mechanism in operation is not a pure competition mechanism, whereby the business that upgrades takes away the clientele of the other businesses, which are forced to follow. After all, in a place that receives as many one-off tourists as Santorini, it is always possible to make money opportunistically by serving goods of an inferior quality. Rather, the mechanism is one where the pioneering entrepreneur's decision to upgrade generates demonstration effects and alters the nearby actors' mental models about what constitutes an appropriate and successful entrepreneurial strategy. It is in this way that a wave of imitation is triggered, sometimes resulting in the overall upgrading of the destination.

The second contribution of a few leading actors to the upgrading of Santorini's tourism industry was that they supplied the ideas and covered the upfront costs associated with the creation of certain upscale niche markets, and particularly gastronomical tourism, conference tourism and wedding tourism. A key actor was Giorgos Chatziannakis, founder of one of the first upscale restaurants in the country that experimented with Greek traditional – rather than imported – ingredients, at a time when “it was unthinkable for a Greek to eat *fava* in a luxury restaurant” (interview #35). A second key actor was Kostas Konstantinidis, owner of an upscale hotel along the caldera who was among the first entrepreneurs on the island to organise conferences and destination weddings.

### 3.5.2 Supplying positive and negative selective incentives for the provision of public goods and for addressing overtourism: the limits of local-level leadership

As we have seen, coordination problems, where a non-negligible share of the benefits of upgrading can be reaped by the relevant entrepreneur, can be resolved in mass tourism destinations through the work conducted by a few leading actors. However, the provision of public goods and the resolution of common-pool resource (CPR)-like problems are very difficult to achieve at the local level in mass tourism destinations, even if leading actors are present. Instead, given the very large number and fragmentation of the actors involved, as will be seen in Chapter 5, the resolution of several types of collective action problems in the mass tourism sector requires changes in the macro-institutional framework.

With regard to public-good provision problems, it is interesting to observe that there is a large asymmetry in the willingness of local actors in my case study areas to impose positive and negative selective incentives. On the one hand, many actors are quite

willing to make a disproportionate contribution to the provision of public goods like destination marketing campaigns, as participating in such joint activities provides them with sense of membership in a professional elite. For example, the owners of a hotel in Chalkidiki explained in the following way why they are happy to be fee-paying members of the voluntary Chalkidiki Hotel Association, even though the majority of hotels in Chalkidiki are not members (interview #24):

“Since we have a hotel permit, for us it is a natural choice to be members of the Hotel Association. We aren’t stingy, we want to be able to vote at the Association, so how can we not be members?” (interview #26)

Similarly, when the Mayor of Santorini asked about fifteen tourism entrepreneurs to join a weekly tourism committee meeting and to undertake part of the cost of implementing the committee’s strategic decisions, for instance by hosting journalists for free, these entrepreneurs were not only willing to make this contribution, but they were also happy that their voices were being heard: “in Santorini we were lucky to have a Mayor who was willing to do something that he didn’t think of himself. That’s rare in Greece” (interview #75).

On the other hand, in the context of the widespread non-implementation of the law analysed in the previous chapter, most actors are very unwilling to undertake the work that Mertzos conducted in Nymphaio and implement negative selective incentives. Characteristically, the same hotel owners in Chalkidiki mentioned previously, pointed out that the illegal (and thereby tax-free) leasing of private houses to tourists creates “unequal competition”. However, when asked what should be done about this, they replied:

“The Hotel Association highlights the problem, but what exactly do you want them to do? Should they go and denounce that this person has a permit, whereas that person doesn’t have a permit? It’s impossible.” (interview #26)

As the owner of a nearby rental rooms business asked rhetorically, “who wants to be mean to their neighbour?” (interview #22). As a result, in contexts where people are habituated to frequent rule infractions, when the number of actors involved is large, negative selective incentives are very difficult to provide endogenously.

Given the strong distributional conflicts and prospects of loss involved, finding pure local-level solutions to the problem of overtourism is also very difficult. The Santorini municipality did make a positive step towards that direction when it introduced a berth allocation system limiting the daily number of cruise visitors on the island to

8,000. The way this was achieved is reminiscent of the carving out of areas of common interest through arenas for discussion in Santorini's wine sector (section 2.3):

“There were difficulties in the berth allocation system's acceptance by everyone, but through meetings with the involved stakeholders, eventually they saw that it's in the interest of both the island and them, if you can manage [for cruise visitors to come] during all the days of the week, and not just to have, say 15,000 in one day, and 2,000 the next.” (interview #73)

Nevertheless, despite having commissioned a number of studies to suggest a rounded strategy for addressing overtourism (Spilanis 2017/ S20; Nikos Schmitt consulting firm 2019: S19; EBRD 2019/ S21), neither the Municipality nor any other local actor has so far been in a position to spearhead the adoption of more comprehensive solutions (interview #67).

### **3.6 Concluding remarks**

This chapter set out to explain the surprising emergence of local-level institutional solutions to cooperation problems in unfavourable settings. Building on theories that emphasise the role of action for institutional change, I have called for putting the institutional work carried out by small groups of boundary-spanning, local-level leading actors at the centre of the analysis of the supply of local-level cooperative institutions. By following particular strategies to disseminate new entrepreneurial ideas, forge shared conceptions of interest, and incentivise cooperative behaviour, those leading actors perform a necessary role for triggering processes of change towards cooperative equilibria, typically and at least initially at a cost to themselves in terms of time, effort and resources. Without taking into account this institutional work, it is difficult to explain why, when and how local-level institutions change towards the direction of higher cooperation.

Through a detailed investigation of processes of institutional change in sectors facing different types of obstacles to cooperation, I have also analysed the concrete strategies that leading actors followed in order to successfully resolve different types of problems:

1. When it comes to vertical cooperation for quality improvement along agri-food supply chains, the incremental construction of trust through the demonstration of progressively more demanding forms of cooperative behaviour is key, particularly when the starting point is an atmosphere of intense suspicion.

2. When the number of producers is large, for the quality of inputs to be guaranteed, trust must be complemented with price incentives to reward the delivery of high-quality inputs, and simple rules transparently enforced to sanction the delivery of low-quality inputs.
3. When it comes to horizontal cooperation among firms, simple distributional conflicts can be resolved through the provision of arenas for discussion, which give to the involved actors the opportunity to carve out areas of common interest, putting thornier issues aside for the time being.
4. In the case of innovative activities, disseminating a vision centred around a novel entrepreneurial idea can be achieved through an incremental “proof of concept” strategy, relying on a few small successes first, which gradually alter the expectations and interests of the rest of the actors in the sector. Demonstration effects and imitation also play an important role in the dissemination of innovative entrepreneurial strategies for upgrading.
5. Finally, generating a conception of shared interest among firms requires the leading actors to perform costly types of institutional work in order to demonstrate in practice that they can be useful allies to other firms, rather than acting only as their competitors.

By following these strategies and by undertaking the aforementioned three types of institutional work, leading actors can go far in terms of triggering cooperation when the benefits of cooperation are club goods or when the number of actors is not very large. However, if neither of those conditions is not met, the potential of local-level leadership alone to catalyse cooperation reaches its limits.

If we accept that the institutional work carried out by a small group of local-level leading actors is key to understanding why and how local institutional configurations change towards the direction of higher cooperation in unfavourable settings, then it is natural to ask: What characteristics do those local institutional entrepreneurs have? And do any place-specific attributes make it likelier that potentially successful leading actors will be available in particular areas? It is to these questions that the next chapter turns.

## CHAPTER 4

### CHARACTERISTICS AND AVAILABILITY OF SUCCESSFUL LEADING ACTORS

#### 4.1 Diversity, power, preferences and institutional innovation

One of my first interviews for this dissertation was with Yannis Boutaris, at the time the Mayor of Thessaloniki, who had been a pioneer of the revival of Nymphaio, and as I only fully realised later, also of the upgrading of Santorini's wine sector.<sup>10</sup> Boutaris started narrating Nymphaio's revival in the following way:

“When we used to visit the village on the long weekend of the 28<sup>th</sup> of October and over Christmas during the decade of 1965 to 1975, there were hardly a hundred residents in the village. We were wondering, what should we do, what should we do, and I said that the only thing that can save the village is luxury tourism and mountain tourism. And so I made two guesthouses, *La Moara* and *Linouria*. At the time, a group of paragliders came to the village. I funded two or three of their championships as a form of advertisement. They hang-glided from Nymphaio down to Kalambaka and broke the national record. Meanwhile, the village had started becoming known due to *La Moara*, which at the time was the most expensive guesthouse of Greece. People were visiting just to see it. This was the first golden period. And then we said, that's not enough...” (interview #13)

Despite the ease and casualness of Boutaris's narrative, the actions that he describes are imaginative, complex, and highly costly in terms of time and resources: they are actions that most people would not wish or be in a position to undertake. What are the analytically relevant characteristics of leading actors like Yannis Boutaris, who manage not only to be successful entrepreneurs, but to also carry along an entire local sector in that success? In what types of places can one expect to encounter them?

One can approach these questions in two ways. On the one hand, local-level leadership can be viewed as a purely exogenous, randomly distributed variable, which triggers a process of change along a newly emergent cooperative path in a few fortuitous places where a sufficient number of leading actors became available thanks to sheer luck. On the other hand, the availability of local leading actors can be seen as endogenously

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<sup>10</sup> When selecting my case studies, I was not aware of the involvement of Yannis Boutaris either in the Santorini wine sector or in the Nymphaio alternative tourism sector. This is also the reason why my interview with him in the context of my case study in Nymphaio contains almost no references to Santorini.

determined by particular characteristics of place, making it possible to predict with reasonable accuracy where change towards a cooperative equilibrium will arise.

I take a middle position in this debate, suggesting that the supply of potentially successful leading actors depends both on contextual and on individual factors (for a similar approach explaining differing developmental trajectories with reference to both “structures” and “roles”, see Evans 1995: 11-14). Building on Crouch’s (2005) argument that diverse institutional repertoires increase the capacity of actors to innovatively recombine elements of different institutional frameworks and bring about institutional change, and drawing attention to a factor that is not sufficiently considered or developed in the cooperation literature, I argue that successful leading actors tend to be in some way outsiders to the local area, whether they are locals with significant translocal experience or non-locals who have moved into the area. Moreover, drawing on the innovation and entrepreneurship literatures, I argue that high degrees of know-how and participation in networks characterised by high linking social capital are likely to confer the kind of power to local actors which can enable them to act as successful institutional entrepreneurs. Nevertheless, not all highly skilled, translocally embedded actors become catalysts for cooperation, let alone catalysts for cooperation in the agri-food and tourism sectors of rural Greece: in fact, few do. What is also needed for an actor to undertake the institutional work analysed in the previous chapter is the appropriate motivation, which is provided either by a subjective conception of self-interest as encapsulating the interests of the other actors in the local sector under discussion (Farrell 2009: 24-29), or by a particularly strong degree of place-based group altruism. Thus, particular types of self- and/ or other-regarding preferences motivate leading actors to undertake the risks and upfront costs of catalysing institutional change. It is plausible to argue that the availability of actors with translocal links and a high degree of know-how and links with political and economic authorities at different levels may be related to place-based characteristics: the greater the pool of translocally embedded, highly skilled and well-connected actors, the likelier that some of them will assume the role of leaders for local-level institutional change. However, preferences are individual attributes that cannot be reduced to the characteristics of place, thus introducing an important stochastic element in the geographical distribution of potentially successful leading actors.

The chapter is organised as follows: in the remainder of this section, I develop further the theoretical arguments that link translocal networks, know-how, linking social capital and preferences to the characteristics and availability of leadership at the local



level. In sections 2 and 3, I demonstrate empirically the importance of translocally embedded, highly skilled, well-connected and actors in catalysing cooperation in my case study areas. In section 4, I provide evidence regarding the stochastic element in the distribution of potentially successful leading actors, namely their preferences. Section 5 concludes. As an extension of the argument, the Appendix to Chapter 4 shows that the main points developed in the chapter are consistent with a large-N, descriptive statistical analysis at the national level.

#### 4.1.1 Local-level leading actors: insiders or outsiders?

It is well established in the literature that cooperation, and therefore economic success in fragmented economies, goes hand in hand with social capital, which can be defined as “the shared understandings and social mechanisms that foster mutual trust regarding commitments by individuals and groups to abide by cooperative agreements, with accompanying shared expectations of mutual coordination and enforcement” (Ferguson 2013: 203). The concept of “shared understandings” encompasses, among other elements, a widespread perception that other actors are trustworthy, which is a group asset, like social capital in general. The concept of “social mechanisms” includes “reciprocal relationships, conventions, social norms, social rules, formal rules, and social networks”, with the latter referring to a set of “relationship links through which individuals communicate and interact” (Ferguson 2013: 204-205).

In order to understand under what circumstances social capital can be found in unlikely settings, it is useful to recognise that, like physical capital, social capital “comes in many different shapes and sizes with many different uses” (Putnam 2000: 21). As Putnam mentions, “of all the dimensions along which forms of social capital vary, perhaps the most important is the distinction between bridging and bonding [social capital]” (Putnam 2000: 22). On the one hand, bonding social capital refers to “the cohesion that exists between small groups of similar people, such as family members, close friends and colleagues and perhaps the members of ethnic or religious groups”. On the other hand, bridging social capital consists of the “networks that link acquaintances who may be very dissimilar people, such as a businesswoman and her customers” (Meadowcroft and Pennington 2008: 120). Are bonding and bridging social capital equally important for the emergence of cooperation in particular places? How does each type of social capital arise? What are the implications of the answers to those questions in terms of the characteristics of successful local-level leading actors?

A number of studies in the political economy literature on cooperation point out that group homogeneity can facilitate cooperation. Ostrom claims that local-level cooperative institutions for the management of Common-Pool Resources (CPR) are more likely to emerge when “the group appropriating the CPR is relatively small and stable” and its members have similar interests (1990: 211). Ferguson mentions that “many self-organized groups form around similarities in salient ascriptive characteristics of their members, such as age, shared cultural perspectives, race, ethnicity, ideology, or religion” (2013: 228-229). The absence of salient dividing lines among members can help a group construct shared understandings and cooperative norms, such as reciprocity, through “many reinforcing encounters” (Ostrom 1990: 206), and it can contribute to the mobilisation of solidarity (Putnam 2000: 22). In turn, communities’ “internal social capital resolves CAPs [Collective Action Problems] that would otherwise be difficult or irresolvable” (Ferguson 2013: 228). In short, a degree of bonding social capital is required for cooperation to emerge and be sustained, and while bonding social capital can also exist in heterogeneous groups, it is often considered to be more easily provided in homogeneous groups.

However, in the previous chapter, I argued that cooperative informal institutions, and bonding social capital more generally, can be introduced in relatively short time periods even in unfavourable, low-trust settings, provided that a set of specific strategies are followed. Moreover, high amounts of bonding social capital can also have deleterious effects, something that is readily acknowledged in the cooperation literature. As shown in a long line of literature since Banfield’s (1958) anthropological study of a village in Southern Italy, bonding and bridging social capital are not always complementary, but they can also be antagonistic. Strong ties within small subgroups can generate suspicion and mistrust towards members of other subgroups, much like in Banfield’s case study, where a culture of “amoral familism” promoted “codes of good conduct within small circles of related persons”, but deemed selfish behaviour “acceptable outside this small network” (Alesina and Giuliano 2015: 14, 18; see also McDermott 2007: 106-107; Streeten 2002: 11-12). Ferguson also points out that self-governance efforts may breed insularity, which “tends to reinforce externality problems and leads to additional problems ranging from missed opportunities to outright conflicts”. As a result, it is particularly difficult to resolve complex Common-Pool Resource (CPR) problems via self-organisation (2013: 228). In order to distinguish between social capital that has negative, exclusionary effects and positive forms of social capital, Streeten calls the

former “antisocial capital” (2002). Uzzi also warns of the dangers of “overembeddedness” among local firms, which can lead a network to become “ossified and out of step with the demands of its environment, ultimately leading to decline” (1997: 58-59). According to Granovetter, while weak ties are “often denounced as generative of alienation”, they are in fact “indispensable to individuals’ opportunities and to their integration into communities”. In contrast, paradoxically, “strong ties, breeding local cohesion, lead to overall fragmentation” (1973: 1378).

The exclusionary effects of bonding social capital are particularly worrisome in terms of the prospects of cooperation for upgrading for two reasons. Firstly, a high degree of homogeneity in local habits, norms, and ways of doing things can act as a hindrance when it comes to institutional change. As Crouch argues, institutional entrepreneurs rely crucially on pre-existing elements of institutional diversity in order to be able to conceive and enact institutional innovations (2005: chapter 4). While such elements of diversity may have seemed in the past as redundant capacities, when an institutional status quo reaches its limits and starts yielding decreasing returns, “serendipitous redundancy” becomes an advantage, as it “present[s] actors with alternative strategies when existing paths seem blocked, and [makes] it possible for them to make new combinations among elements of various paths” (2005: 89, 126). In the case of cooperation for upgrading, leading actors may draw on the mental models and diverse modes of doing business encountered in an adjacent field such as a different local sector, or they may recombine elements of the local institutional framework with cooperative practices encountered during the actors’ past experiences outside the area in question.

Secondly, it is well-established in the literature on innovation and entrepreneurship that innovative ideas arise from embeddedness in translocal networks, which can provide useful information about far-away markets and ways to serve them using local resources (Shane 2000: 452). Indeed, Bathelt and his co-authors argue that for innovation to occur, what is required is a set of “global pipelines”, i.e. channels used in distant knowledge-exchange interactions: a local “information and communication ecology created by face-to-face contacts, co-presence and co-location of people and firms within the same industry and place” will not be sufficient. By implication, “particularly successful clusters” are likely to be “the ones that are able to build and maintain a variety of channels of low-cost exchange of knowledge with relevant hot-spots around the globe” (Bathelt *et al.* 2012: 3, 11, 13; see also Boschma and Ter Wal 2007: 180-1; Morrison 2004: 3, 6). Such translocal links are considered to be particularly important in small and

peripheral regions, which depend on their more innovative counterparts and on international markets for information about innovative processes and products (Andersson and Karlsson 2004: 18). Moreover, the implementation of innovative strategies also requires synergies among actors from distinct social groups. As is established in the economic geography literature, “innovation, knowledge creation and learning” arise through an interactive process among actors with diverse knowledge and competencies, who come together and recombine their pools of knowledge in novel ways to design new products (Bathelt *et al.* 2012: 1, 5). Moreover, innovation tends to occur as a result of the interaction of actors across the supply chain, rather than being created and then diffused by a single group of actors at one part of the chain (Andersson and Karlsson 2004: 5-6).

In other words, institutional and economic innovation alike rely on diversity rather than homogeneity, making bridging social capital and the presence of actors who are in some sense outsiders – whether they are locals who are also involved in an adjacent field, locals who have lived elsewhere, or non-locals who have recently moved to the area in question – particularly well-placed to act as institutional entrepreneurs. Naturally, in order to be in a position to introduce cooperative norms that span an entire local sector, leading actors must also be locally embedded, which is not an easy task, particularly for outsiders. Nevertheless, for all the reasons mentioned above, an actor who is “located at interstices” (Crouch 2005: 90) is far more likely to act as an institutional entrepreneur than an insider who has little or no experience in other areas or adjacent fields. By implication, it can be hypothesised that places with high levels of population flows, in- and out-migration, strong diasporic networks, lasting patterns of settlement by non-local actors, or involvement in economic activities with dense translocal links in an adjacent sector, are likely to have a larger pool of potentially successful local leading actors than highly insular societies. There are a number of passing references to this subject in the literature: for instance, Burroni and his co-authors mention that one of the factors that contributed to the success of industrial districts in the Southern Italian region of Campania was “the mobility of human resources, i.e. entrepreneurs and technicians who, after a learning experience in northern Italy, return to set up local firms, bringing home knowledge and professional experience” (Burroni *et al.* 2008: 482). Nevertheless, the critical role of outsiders and hybrid actors as well as translocal links in the emergence of local-level cooperative efforts has not been sufficiently and systematically explored in the cooperation literature.

#### 4.1.2 What kind of power do local-level leading actors have?

Even though much of the literature on cooperation views power inequalities, resource imbalances and information asymmetries as deleterious to the prospects of cooperation, the concept of leadership as it was explored in the previous chapter implies a degree of power imbalance among the leading actors, on the one hand, and many of the other actors in the local sector, on the other. As was established in the introduction, the leading actors in my case study areas are bound with other local actors by relations of mutual dependence rather than by hierarchical relations. Nevertheless, leading actors still require a disproportionate degree of access to resources in order to be able to catalyse the implementation of costly collective entrepreneurial strategies and enforce material or social sanctions against actors who choose uncooperative strategies (Ferguson 2013: 65-69). What could be a source of power that would enable actors to successfully perform the three types of institutional work analysed in the previous chapter, but without making it highly likely that they would abuse their position to “usurp benefits for themselves and deny access to others” (Ferguson 2013: 230)?

In clientelistic settings like Greece or Italy, scholars almost automatically associate power with membership in clientelistic networks, which are characterised by exchanges of funds for votes (Piattoni 2001: 4). Some scholars have argued that under specific conditions, actors who are well-embedded in relationships of clientelistic exchange can take advantage of the resources that those relationships give them access to in order to foster broad-based economic development (see Piattoni’s distinction between “virtuous” and “vicious” clientelism in Southern Italy; 1997: 320). After all, as shown by Rodríguez-Pose and his co-authors, “a widespread political culture of pork-barrelling” does exist in the territorial allocation of public expenditure in Greece (2016: 1483). On the other hand, most of the literature on cooperation would regard clientelistic ties between local strongmen and extra-local politicians as disruptive for cooperative efforts, as they focus the powerful actors’ efforts towards protecting the interests of their clientele base rather than fostering broad-based development. As Ostrom explains with reference to Sri Lanka, “the spoils politics of a central regime unwilling to enforce rules impartially” leads to “those appropriators who want to avoid rule enforcement [having] considerable opportunity and means to obtain the help of central officials in obstructing such enforcement, thus undermining any effort to supply new local institutions” (1990: 166). Moreover, it seems likely that actors embedded in clientelistic networks would have

an interest in the perpetuation of the status quo and would be central nodes in local networks, rather than being “located at interstices” (Crouch 2005: 90). By implication, they would be unlikely to have the motivation and perhaps even the innovative capacity to bring about local-level institutional change.

A more likely source of power for leading actors in the context of cooperation for upgrading consists of a set of skills and connections that can help in acquiring access to a variety of resources, from EU- and national-level public sector funding to private-sector investment funding and donations, regardless of party-political affiliation. Knowing about and being able to successfully tap on such varied resources can be facilitated by information-gathering and analytical skills as well as by “linking social capital”, i.e. by a network of ties and acquaintances with “political and economic authorities” at the regional, national and European levels, which can provide important information and know-how about available funding tools (Hurrelmann *et al.* 2006: 223).

Such skills and connections can be acquired in a variety of ways, one of which is higher education (Andersson and Karlsson 2004: 19). Indeed, in rural areas, higher education also serves as an opportunity to acquire translocal links, thereby contributing to the actors’ capacity to innovate in both institutional and economic terms. According to Ostrom, the combination of high educational attainment and local roots can give individuals the social status, credibility and local knowledge required to act as “catalysts” who introduce cooperative habits in “situation[s] of mutual distrust and unpredictability” (1990: 167-72). It is worth noting that while the importance of higher education is familiar in the literature on entrepreneurship and innovation (e.g. Andersson and Karlsson 2004: 19), it does not usually figure prominently in cooperation literature. Nevertheless, given its association with the variables of interest here, namely know-how, linking social capital and translocal links, there are good theoretical reasons to include it in a framework to explain the emergence of cooperation for upgrading.

#### 4.1.3 Leading actors’ motivation

While highly skilled, highly connected actors who are in some sense outsiders can be hypothesised to have the *capacity* to conduct the institutional work required to catalyse change towards a cooperative direction at the local level, this does not mean that they will also have the *motivation* to do so. Indeed, if we assume actors to be rational egoists, i.e. if we assume that they seek outcomes which maximize their own material payoffs without caring about the processes through which those outcomes were reached or about

outcomes for others, then it is very difficult to explain why anyone would wish to undertake the personal cost and risk associated with initiating cooperation for upgrading: “the self-interest axiom cannot even explain the resolution of relatively small-scale collective action problems envisioned by Olson and observed by Ostrom” (Ferguson 2013: 93). Moreover, if, as Farrell argues, changes in informal institutions result from “self-centered actors’ efforts to reap distributional benefits” when the balance of power among different groups shifts (2009: 18, chapter 5), then it should be the weaker actors who would be expected to seek more cooperative institutional arrangements, not the disproportionately powerful ones. After all, as was seen in Chapter 2, successful cooperation for upgrading increases the mutual dependence among different groups of stakeholders and can empower actors who used to be in a weak negotiating position to make demands that they would never be able to see satisfied before the onset of cooperation.

There are two ways to account for the motivation of the leading actors who engage in the types of institutional work analysed in the previous chapter. The first way is to recognise that actors do not always behave like rational egoists, but they also have social preferences: their actions may be motivated by a concern over outcomes for others, a concern over their position relative to others, or a concern over the processes that generate outcomes (Ferguson 2013: 114, Bowles 2004: 96, 109). Social preferences are consistent with a substantive rationality approach and can help illuminate behaviours that are hard to account for using a rational egoist model in a game-theoretical setting.

One type of social preference cited in the cooperation literature is intrinsic reciprocity, i.e. “an intrinsic desire to reward kind, friendly, or fair behavior and to punish unkind, hostile, or unfair behaviour” (Ferguson 2013: 91). A wealth of experimental evidence shows that actors in diverse settings exhibit intrinsic reciprocity motives, rewarding generous behaviour and punishing unfair behaviour even at a personal cost. For instance, in experimental Ultimatum Games, where a first player decides how to divide a given sum and a second player decides whether to accept the proposed division or deny payment to both players, the typical final outcome tends to be a 60-40 or even a 50-50 division among the two players, even though a rational egoist model would predict an outcome closer to a 90-10 division in favour of the first player. An important reason for this result is that a seemingly unjust division by the first player tends to provoke a hostile reaction by the second player, who prefers to earn nothing than to see the first player earn a disproportionate share of the total sum (Bowles 2004: 111-113). Intrinsic

reciprocity is a very useful concept for explaining how cooperative institutions can be gradually expanded and sustained over time, even though they constitute public goods, which means that their supply may stumble on similar collective action problems as those they are meant to resolve. However, intrinsic reciprocity is likely to be less useful for explaining the initial emergence of cooperation in unfavourable settings, as reciprocity motives tend to reinforce not only cooperative, but also non-cooperative equilibria: if actors are intrinsically inclined to punish non-cooperative behaviour, then what kind of motivation can induce a leader to begin breaking a vicious low-cooperation cycle?

Other types of social preferences include inequality aversion, which leads to a loss of utility when actors are “faced with unequal outcomes between themselves and members of a reference group” (Ferguson 2013: 117); altruism, which is a desire to help others unconditionally, leading to behaviour that “confers a benefit on another while inflicting a cost on oneself” (Bowles 2004: 110); and spite, which motivates actors to unconditionally lower the utility of others (Ferguson 2013: 118). Because inequality aversion, altruism and spite are not dependent on the behaviour exhibited by other actors, they are more likely than reciprocity motives to help explain the preferences of leading actors in unfavourable settings. As will be discussed in section 4.4, altruism, and more specifically group altruism towards other actors in a particular place, constitutes a significant component of many leaders’ motivation for undertaking the costly institutional work required to catalyse cooperation at the local level.

However, social preferences are not the only way to account for the motivation of leading actors in the settings of interest. As was argued in previous chapters, actors often face serious cognitive limitations that may inhibit them from grasping the potential benefits of cooperation, the full range of strategies that are available to them and to other actors, and the outcomes associated with each combination of strategies. Once we adopt a bounded rationality approach and acknowledge these cognitive limitations, it follows that there may be more than one way to define the actors’ self-regarding preferences in a given setting, depending on the mental models that the actors use to make decisions and the heuristics they draw upon to interpret the situation they find themselves in. While some actors may perceive their self-interest to be entirely or mostly oppositional to the interests of other local stakeholders, other actors in the exact same position may read the situation differently, considering their self-interest to be to a large degree aligned with the interests of a broader group of stakeholders. The former category of actors have a narrow conception of self-interest and seek to maximize their share of the pie in what



they perceive to be a highly competitive context. In contrast, the latter category of actors have a broad conception of self-interest and consider that the best available strategy for increasing the size of their own piece is to increase the size of the pie. Thus, once cognitive obstacles to cooperation are taken into consideration, it is possible to provide an account of the leading actors' motivation also in terms of self-regarding preferences, which are no longer singularly defined. As will be argued in section 4.4, a recurring characteristic of leading actors in the settings of interest was that most of them had a subjective conception of self-interest that encapsulated the interests of a broad range of local-level actors (Farrell 2009: 11; Sabel 1993: 1149). In turn, many successful leading actors were also characterised by a particular aptitude for projecting to others their vision about shared prosperity and inclusive economic development via cooperation, triggering the process of broadening the other local stakeholders' conception of their self-interest that was described in the previous chapter. Indeed, "an ability to influence shared mental models" can be viewed as "a key source of power" (Ferguson 2013: 129).

While translocal links, analytical and information-gathering skills, and participation in networks with high degrees of linking social capital can be hypothesized to correlate with certain characteristics of place, the distribution of different kinds of self- and other-regarding preferences in a population entails a high degree of randomness, particularly within a specific country. In the remaining sections of the chapter, I show that leading actors motivated by a broad conception of self-interest and by a strong degree of place-based group altruism leveraged their translocal experience, skills and links to carry out their institutional work. I also argue that successful leading actors are more likely to emerge in places with many translocal links and high educational attainment, where the pool of potential leaders is higher, though this relation is also mediated by the important but stochastic element of preferences.

## **4.2 Leaders as in some way outsiders**

### **4.2.1 Translocal links in the *Chios mastiha* and Kozani saffron sectors**

If we define insiders as actors who, at the onset of local cooperative activities, had spent most of their adult life at the locality in question; outsiders as actors who had not lived there for a sizeable time period and do not originate from the locality; and hybrid actors as those who originate from the locality but had not lived there for a sizeable time period, then the typical profile of an innovative actor in the *Chios mastiha* cooperative is that of a hybrid actor. Most notably, Yannis Mandalas, the CEO of the cooperative's

subsidiary company, is a Chiot who studied business management in Athens and spent several years working at companies in the capital. He returned to Chios in 1998 at the age of 36 to work at the Chios Development Company, and a couple of years later he was approached by the President of the cooperative Ganiaris, who considered him “one of the brightest minds of Chios”, to undertake the reorganisation of the cooperative (interview #63). Mandalas thereby found himself in a position to implement “an idea that I had worked on a couple of years earlier”, namely the idea of the *MastihaShops* (interview #58), which likely combined insights from his experience outside the island and the knowledge of the local economy he gained while working at the Chios Development Company.

Mandalas was not the only hybrid actor in the *mastiha* cooperative. Indeed, one of the most important legacies of the Presidency of Aristeidis Belles in the 1980s was the implementation of the principle of only hiring white-collar workers who had a minimum level of qualifications, which had the effect of attracting back to Chios a number of qualified locals who were living outside the island. As explained by the cooperative’s Director at the time, who had himself met Belles while studying at the University of Peiraeus and who was working at a company in Athens before being asked to join the cooperative,

“we saw the need for our own renewal, and we saw that the cooperative can’t rely on politics along the lines – I’ll hire so many people from your village and so many from mine. So we started to put criteria: [the candidate] should have a degree, additional studies, specialisation, experience.” (interview #60)

Thus, a number of highly educated hybrid actors with experience both in Greece and abroad joined the cooperative, introducing a level of professionalism and innovativeness that persists until today. Characteristically, the cooperative’s Director for Research and Development, who has overseen the conduct of major research projects that resulted in the registration of *mastiha* in the inventory of the European Medicines Agency, was “brought to Chios by Yannis [Mandalas]” after having studied in the UK and worked in the lab at the University of Thessaloniki. One of his ongoing projects at the time of my fieldwork aimed to isolate the *mastiha*’s polymer component, whose value is more than ten times the value of raw *mastiha*, in order to sell it for use in specific pharmaceutical products and cosmetics (interview #59). It is implausible that such innovative and technically demanding projects would have gone ahead in the absence of actors who had gained exposure to the relevant ideas while living outside the confines of the island.

A business plan composed by the outgoing President of the Kozani saffron cooperative also recognised that some interventions would be necessary in order to increase the cooperative's extroversion and innovativeness:

“The Obligatory Cooperative of Crocus Producers is characterised by a certain introversion, something that leads to entrepreneurial isolation, especially in matters regarding the potential of cooperation, information, modern production methods, organisation and management. (...) The management of the cooperative knows general things about what is required to improve and maintain the position of their business in the local and international markets, but without having a clear and substantiated picture of the whole situation and of the factors that influence it.” (Patsilias 1999: 90/ D1)

However, the diagnosis of the problem was not followed by a recommendation to change hiring practices, but only by generally worded suggestions to “familiarise the management with accepting modern technical improvements related to organisation and administration” and to “improve the competitiveness of the cooperative through understanding its weaknesses and problems” (Patsilias 1999: 90/ D1). Indeed, the saffron cooperative appears to be still run mostly by insiders who, despite travelling frequently in an effort “to promote saffron everywhere” (interview #56), have typically spent most of their adult life locally, for instance working at the Public Electricity Company, and lack the translocal experience necessary to stimulate radical institutional and economic innovation.

While this discrepancy is partly the result of different decisions made by the Chios and Kozani cooperative managers over time, it is also reflective of a broader difference in the degree of extroversion of the two places. On the one hand, Chios

“certainly had an extroversion traditionally, it had people abroad, in shipping, it's somewhat open to new things. It's a commercial area, not an agricultural one. So it's easier to say that we will do something to address other people.” (background discussion with a local resident, field notes)

On the other hand, in Kozani, whose “lignite ‘lights up’ the whole of Greece” (*Kiriakatikos Chronos*, 13/5/2001, 3161: 1/ N1), in recent decades many locals took up well-paid jobs in the Public Electricity Company and tended to be less mobile. The census data in Table 5 suggest that the difference between the two places was small in 1991, but it had become very pronounced by 2001, which is right before the cooperative's subsidiary company was founded and cooperation really started to deepen in Chios. Specifically, in 2001, the share of the population who lived elsewhere in Greece or abroad five years earlier was substantially higher in the *mastiha*-producing region of Chios

(Mastichochoria) than in the saffron-producing region of Kozani (Elimeia). Mastichochoria also had both a higher share of foreign nationals in the population, and a higher proportion of university graduates among foreign nationals.

#### 4.2.2 Translocal links in the Santorini and Lemnos wine sectors

While Santorini's wine sector also had a number of pioneers who were hybrid actors, its upgrading was inextricably linked with the arrival, from the 1980s onwards, of several complete outsiders. The most notable such actor was the winemaker Yannis Boutaris, who comes from northern Greece (as we saw, he comes from Nymphaio). Boutaris brought along a number of French-educated outsider oenologists, such as Voyatzis, Paraskevopoulos and Chatzidakis, who introduced important know-how about modern winemaking techniques in Santorini and later started their own highly successful wineries, which left their mark on the sector (interview #30). As explained by the Director of Santorini's wine cooperative, who is an outsider himself, "the revolution of winemaking in Greece started towards the late 1970s and early 1980s when oenologists who had studied in France started returning and giving new wind in the sails of the wine sector". In turn, the "French spirit" arrived in Santorini in the late 1980s and early 1990s, when "educated oenologists came to work with Boutaris but also at the Union" (interview #36; Thiraika Nea, May-Jun. 1990, 392). Furthermore, Sofia Perpera, the US wine importer who, as discussed in Chapter 3, provided the idea behind the Wines of Santorini collective marketing project, was also an outsider: "she has studied in America, she has Greco-American roots, she has worked in America – and she set it as her aim, she really believed in Greek wine and she wanted to promote it" (interview #29). On the other hand, the marketing manager of Santorini's wine cooperative is an example of a hybrid actor whose family originates from Santorini, but who studied business administration and marketing in Athens and Glasgow respectively. In her account, when she arrived in 2002 many employees at the cooperative did not understand what marketing entailed, but now "marketing and public relations have become ingrained in the company's culture" (interview #29).

It would be reasonable to hypothesise that there could be a rift between outsiders and insiders in Santorini's wine sector. However, as explained by a local oenologist, in practice the dividing lines in the sector are drawn differently:

"There is some fear due to the demonstration of a lot of interest [towards Santorini wines] by big winemakers who have nothing to do with the zone,

e.g. from Northern Greece. But in reality, Chatzidakis was from Crete, Boutaris is from Northern Greece, Paraskevopoulos is from Nemea. What we are really afraid of is that some may come to exploit Santorini's name without contributing anything to the island.” (interview #30)

In other words, by showing through their actions that they are making a contribution to the advancement of the local sector as a whole rather than free riding on the success of others, outsider actors can be seen as allies rather than adversaries of the locals. Indeed, as long as they follow appropriate strategies to foster cooperative norms and a conception of shared interest, outsiders can become catalysts of local-level cooperation, and have done so on several occasions in Greek rural areas.

On the other hand, insiders who had lived most of their adult life in Lemnos continued to dominate the Lemnos wine sector until much later than in Santorini. Indeed, probably the first truly translocally embedded stakeholder who acquired a central position in the sector was Chatzigeorgiou, a hybrid actor who established what is now the biggest private winery of the island in 1999. Chatzigeorgiou owned a drinks store in Athens, and his daughter, who is the oenologist at his winery, studied in Bordeaux. The Chatzigeorgiou family conceived the idea of making one of their most innovative products, namely their semi-sweet sparkling wine from the local Muscat of Alexandria varietal, by observing how well *Moscato d'Asti* sells in the drinks market (interview #79). By the mid-2010s, the Lemnos wine cooperative had also hired some hybrid actors. The current marketing manager studied in Italy and had many years of work experience in the trading of drinks. During my fieldwork, he was engaging in an effort to “open some new markets in a comprehensive way”, something that was necessary because “until recently, the cooperative didn't have a complete sales network as is done in the modern market in terms of how it approaches clients, it went on auto-pilot” (interview #85). These developments, combined with the improvement in the quality of Lemnos's wines, generate optimism that the sector's performance will improve in the near future. Nevertheless, the late, and to this day still quantitatively limited, arrival of translocally embedded actors is a notable and important difference in the trajectory of Lemnos's wine sector compared to Santorini's.

To some extent, the greater extroversion of Santorini's wine sector reflects the growth of Santorini as a touristic destination, the tradition of Santorini's shipping sector (interview #71; Dekavallas 2013/ S23), and the translocal links forged by Santorini's residents as they sought better life chances outside the island in the postward period.

Indeed, a devastating earthquake in 1956, combined with the collapse of the island's once thriving agricultural sector as a result of low yields and high production costs, resulted in poverty whose "magnitude is difficult for someone to perceive today" in the 1960s and 1970s (Dekavallas 2013/ S23; interviews #28, #70, #72). In contrast, Lemnos is a highly fertile island which continuously produced large amounts of agricultural goods including cotton, tobacco, and, more recently, cereals and animal fodder (Dimopoulos *et al.* 2018/ S8). The difference in the extroversion of Santorini and Lemnos only shows up partially in Table 5. On the one hand, in 1991, about five years after Boutaris's arrival and just about when cooperative activities in Santorini's wine sector were taking off, the share of Santorini's population who had lived somewhere else in Greece five years earlier was double than that of Lemnos. However, this changed in the 2001 and 2011 censuses. This change is probably at least partially attributable to the growing presence of the Greek military on the island, which attracts many young people to Lemnos, who are nevertheless not embedded in local productive activities (Mimi 2013: 59/ S11). As argued by Bakalis, in the postwar period Lemnos was treated either as a purely agricultural area or as a militarised zone, and didn't develop other forms of entrepreneurship (2007: 202/ S12). Still, above and beyond those place-based differences between Santorini and Lemnos, the arrival of Boutaris in Santorini was a highly influential event in itself for the evolution of Santorini's wines, and it undeniably also entails an important random element.

#### 4.2.3 Translocal links in the Nymphaio and Ambelakia alternative tourism sectors

The two most important catalysts for the growth of Nymphaio's alternative tourism sector were hybrid actors, and specifically prominent members of Nymphaio's diaspora who grew up, were educated and built their careers outside Nymphaio, but spent their summers in the village since childhood. Yannis Boutaris, who opened the first two hotels in the village, is a winemaker, and Nikos Mertzos, who became the President of the Nymphaio Commune, a journalist; both were based in Thessaloniki. Boutaris's account of how he conceived the idea of setting up the sanctuary for brown bears in Nymphaio demonstrates the importance of his translocal links for coming up with what was, as was seen in Chapter 2, a radically novel suggestion for the Nymphaio context:

"At the time [in the 1980s], I had met a group of crazy English people in Thessaloniki called Libearty. There was a law in Greece banning the practice of bear-dancers, but it wasn't being implemented. When I asked the General Secretariat for Forestry why this was so, they told me that if they confiscated the bears, they wouldn't have where to put them. And this is how I clicked

and said that I will create a bear sanctuary in Nymphaio. This is how Arktouros was born. (...) We hired bear-specialists, and we also maintained contact with the London Zoo, which had specialists on the psychology of captive animals.” (interview #13)

As the tourism sector grew in Nymphaio, the village’s translocal links were reinforced, with other members of the diaspora making substantial donations and investments, and many outsiders investing in Nymphaio as well: “in the past, at the church you could tell immediately who was foreign. Now it’s hard to find the Nymphaiots” (interview #15). For example, the owner of two of Nymphaio’s most upscale hotels today is a Cretan who had been going to the village on holiday since 2005, and moved there permanently in 2013.

In contrast, most stakeholders in Ambelakia do not have substantial translocal experience that extends beyond the wider area around Ambelakia up to the nearby city of Larissa. Indeed, the difference in the translocal embeddedness of Nymphaio and Ambelakia is visible in a stark way in Table 5, where the share of Nymphaio’s population who had lived somewhere else in Greece five years before the census was triple in 1991, quadruple in 2001, and double in 2011 than the equivalent share of Ambelakia’s population. This is partly reflective of the existence of sufficient economic opportunities in the area around Ambelakia, for example in service areas and shops along the highway linking Greece’s two biggest cities, which passed from very near the village, or in Larissa (Stroulis 1998: 102-105/ S17). Moreover, Ambelakia’s wider diaspora appears to be mostly disconnected from the village (interviews #47, #48, #49, #51). As a result, even though a great deal of creative ideas have been expressed over time about the potential direction of Ambelakia’s development (see “First conference of Ambelakiot Studies” proceedings 1994/ D12), there seems to be a mismatch between the actors who express those ideas (e.g. outsider academics participating in the conference cited above), and the actors who are in a position to actually implement them (people living in Ambelakia).

#### 4.2.4 Translocal links in the Santorini and Chalkidiki mass tourism sectors

Like in the wine sector, several of the pioneers of upscale and thematic tourism in Santorini were outsiders. Chatzigiannakis, who founded on the island one of the first high-end restaurants in the country to offer Greek rather than international cuisine, had no relation to Santorini other than having been on holiday there for about ten years before moving permanently to the island from Athens and opening his restaurant. He describes

in the following way the mental process of recombining elements from his knowledge about Santorini's resources and the demands of upscale customers in urban centres:

“I have been coming to Santorini from 1975 – it's not my homeland. In 1986, my wife and I decided to open a restaurant here because we had something similar in Athens. (...) We saw from the first year that Santorini is not just about August and the Greeks, you must be able to survive during the rest of the months. And that's when the idea came up, to add to the equation the local cuisine. (...) The traditional cuisine of Santorini was made for the 16-degree, high-alcohol wines that they used to have. When the wine went down to 11-12 degrees and became more elegant, we had to utilise the primary materials in a wholly different way. We did a lot of work, it was a motivation for my colleagues.” (interview #35)

Paris Sigalas, one of the first winemakers to establish a private winery in Santorini after Boutaris in the early 1990s and a pioneer of local oenotourism, explains that Chatzigiannakis was part of a group of friends in the village of Oia who used to spend their holidays there together: “we had very close relations, and it was on the basis of that contact with Santorini that he said, I'll open a restaurant here, as he already had something similar in Athens” (interview #71). Indeed, a number of persons from that group of friends ended up opening upscale restaurants that left their mark on the gastronomy sector of the island. Sigalas himself is a hybrid actor whose father was from Santorini but migrated at the age of seventeen due to the island's poverty in the postwar period. Having grown up outside Santorini and become a maths teacher, Sigalas eventually moved permanently to the island to work professionally as a winemaker (interview #71).

On his side, Konstantinidis, the pioneer of conference and wedding tourism in Santorini and owner of one of the early small luxury hotels along the caldera, explains that he “had no relation to Santorini”, but combined ideas that he brought from outside with his reading of Santorini's potential:

“In the consortium of companies that we own, we also had a travel agency. In Greece, according the law, to organise a conference you need to be a travel agency. I thought that at the time, in the 1990s, it would be interesting for this place to develop conference tourism, and for us it would be an interesting entrepreneurial activity. And that's how we started.”

“Destination weddings were unknown in Greece in the 1990s, but they were very widespread abroad. Doing a wedding of foreigners in Santorini was a simple thought.” (interview #75)

While the degree of recent mobility in Chalkidiki was consistently lower than in Santorini in the 1991, 2001 and 2011 censuses (see Table 5), there are also many outsider



investors in Chalkidiki. Nevertheless, no critical mass of leading actors has emerged who are willing and able to spearhead cooperation for upgrading and the creation of niche, upscale markets. Without denying that there is an element of randomness in this discrepancy, perhaps in a paradoxical way Chalkidiki's proximity to Thessaloniki inhibits the sustained contact between the outsiders and the locals, since the outsiders tend to live permanently in the city – as do many skilled locals of Chalkidiki (OAOM consulting firm 1977/ D14). On the other hand, a number of foreign investors whom I interviewed during my fieldwork arrived to Chalkidiki after it had become a successful mass tourism destination, serve very specific market segments often from particular countries, and are disembedded from the rest of the local economy (for example, this is the case of interviewees #19 and #25). In the few instances where alternative tourism flows have developed in Chalkidiki, as in the villages of Ano Nikiti and Parthenonas, the local actors' translocal links played a key role in that development. In the case of Ano Nikiti, these links were with Germany, where many locals had migrated as guest workers (Deltou 2015: 187/ S28). In the case of Parthenonas, the pioneer of the village's revival was a hybrid actor from a nearby town who was a return migrant from the US.

**Table 5: Measures of translocal links in the case study areas/ Source: Greek census data 1991, 2001, 2011 (ELSTAT)**

| Administrative Unit<br>Variable  | Chios municipality<br>(Mastichochoia<br>municipality) | Kozani<br>municipality<br>(Elimeia<br>municipality) | Santorini:<br>Thera<br>municipality | Municipality<br>of Lemnos<br>(Atsiki<br>municipality) | Amyntaio<br>municipality<br>(Nymphaio<br>commune) | Tembi<br>municipality<br>(Ambelakia<br>commune) | Chalkdiki:<br>Kassandra &<br>Sithonia<br>municipalities |
|--|---|---|-------------------------------------|---|---|---|---|
| <b>2011, Share of the population that lived in the municipality 5 years ago</b>  | 85.70%<br>(87.58%)                                    | 87.58%<br>(92.93%)                                  | 82.98%                              | 76.27%<br>(79.09%)                                    | 87.57%<br>(81.54%)                                | 92.61%<br>(88.00%)                              | 88.74%  |
| <b>2011, Share of the population that lived elsewhere in Greece 5 years ago</b>  | 11.63%<br>(8.05%)                                     | 10.23%<br>(5.88%)                                   | 11.35%                              | 19.30%<br>(16.36%)                                    | 8.33%<br>(16.15%)                                 | 5.18%<br>(8.24%)                                | 6.73%   |
| <b>2011, Share of population that lived abroad 5 years ago</b>                   | 2.67%<br>(4.17%)                                      | 2.19%<br>(1.20%)                                    | 5.67%                               | 4.43%<br>(4.55%)                                      | 4.11%<br>(2.31%)                                  | 2.21%<br>(3.76%)                                | 4.54%   |
| <b>2001, Share of the population that lived in the municipality 5 years ago</b>  | 82.03%<br>(77.58%)                                    | 84.30%<br>(89.35%)                                  | 77.42%                              | 71.94%<br>(73.38%)                                    | 82.99%<br>(68.25%)                                | 89.73%<br>(85.06%)                              | 82.45%  |
| <b>2001, Share of the population that lived elsewhere in Greece 5 years ago</b>  | 11.24%<br>(16.40%)                                    | 8.11%<br>(4.07%)                                    | 10.19%                              | 20.45%<br>(19.99%)                                    | 7.72%<br>(24.17%)                                 | 3.86%<br>(6.99%)                                | 6.14%   |
| <b>2001, Share of population that lived abroad 5 years ago</b>                   | 2.10%<br>(2.87%)                                      | 2.09%<br>(1.20%)                                    | 5.95%                               | 2.89%<br>(2.82%)                                      | 4.08%<br>(5.69%)                                  | 2.15%<br>(2.89%)                                | 5.44%   |
| <b>1991, Share of the population that lived in the municipality 5 years ago</b>  | 93.75%<br>(94.90%)                                    | 92.76%<br>(95.28%)                                  | 85.23%                              | 91.39%<br>(96.98%)                                    | 95.69%<br>(84.40%)                                | 96.60%<br>(93.85%)                              | 90.75%  |
| <b>1991, Share of the population that lived elsewhere in Greece 5 years ago</b>  | 4.95%<br>(3.68%)                                      | 5.95%<br>(4.05%)                                    | 13.58%                              | 7.57%<br>(2.67%)                                      | 3.16%<br>(15.60%)                                 | 2.69%<br>(5.94%)                                | 7.83%   |
| <b>1991, Share of population that lived abroad 5 years ago</b>                   | 1.30%<br>(1.41%)                                      | 1.29%<br>(0.67%)                                    | 1.19%                               | 1.04%<br>(0.35%)                                      | 1.16%<br>(0%)                                     | 0.71%<br>(0.20%)                                | 1.42%   |
| <b>2001, Share of foreign nationals in the permanent population</b>              | 4.44%<br>(5.53%)                                      | 2.35%<br>(1.42%)                                    | 14.94%                              | 3.92%<br>(2.42%)                                      | 3.85%<br>(11.37%)                                 | 5.38%<br>(3.37%)                                | 13.10%  |
| <b>2001, Share of foreign nationals with a bachelor's degree</b>                 | 8.97%<br>(7.49%)                                      | 9.27%<br>(2.53%)                                    | 8.87%                               | 9.28%<br>(17.74%)                                     | 9.19%<br>(8.70%)                                  | 1.42%<br>(7.69%)                                | 6.97%   |
| <b>2001, Share of foreign nationals who completed higher secondary education</b> | 28.30%<br>(28.19%)                                    | 25.12%<br>(12.66%)                                  | 33.79%                              | 28.77%<br>(33.87%)                                    | 16.42%<br>(17.39%)                                | 18.60%<br>(15.38%)                              | 25.06%  |
| <b>2001, Share of foreign nationals who completed lower secondary education</b>  | 19.94%<br>(11.89%)                                    | 23.01%<br>(27.85%)                                  | 26.14%                              | 17.81%<br>(12.90%)                                    | 24.85%<br>(39.13%)                                | 13.70%<br>(30.77%)                              | 27.65%  |
| <b>2001, Share of foreign nationals with primary education or less</b>           | 42.78%<br>(52.42%)                                    | 42.60%<br>(56.96%)                                  | 31.20%                              | 44.14%<br>(35.48%)                                    | 49.55%<br>(34.78%)                                | 66.28%<br>(46.15%)                              | 40.32%  |

**NB:** The basic administrative unit in the table is the municipality level using Greece's 2010 administrative system. Where this administrative unit is too large to provide accurate information about my case study areas, I also present data for the most relevant geographical unit based on the 1997 administrative system, which included more administrative units. This more fine-grained data is presented in parentheses.

## 4.3 Leaders as highly skilled and highly connected actors

### 4.3.1 Accessing resources in the tourism sector

As was seen in the previous chapter, a key part of the institutional work required to generate alternative tourism flows in remote areas concerns accessing resources to provide a range of public goods, particularly infrastructural projects and novel attractions. Being able to tap on voluntary work by highly skilled “economists, urban planners and engineers” was, unsurprisingly, a major advantage for the Nymphaio Commune when it came to applying for EU funding, which it did often and with much success (interview #14).

What is more interesting is that even accessing national funds to support cooperative efforts for upgrading appeared to be correlated with linking social capital and know-how, rather than membership in clientelistic networks. Indeed, the following account by the President of the Nymphaio Commune between 1995 and 2006 Nikos Mertzos, who is a well-known right-wing public figure in Greece, is indicative of how leading actors in high-cooperation case studies typically gained access to national funds “through acquaintances at the start and through persuasion when we had shown results” (interview #14), but without a plausible prospect of providing a substantial number of votes in return. After all, nearly throughout Mertzos’s term as Commune President, Greece had a centre-left PASOK government.

“The second source of money was Laliotis, when he was Minister for Public Works. I asked him for 78 million [drachmas] to make a cobbled path. He gave me the money [as a personal favour] even though usually he would call me a fascist and I would call him the ‘black widow’ – we were major enemies because he was the spokesperson of PASOK. (...) When he came to see the completed works, he said that if he had to implement the works that I did for 78 million, he would have needed double the amount. From that day on, they started giving me money much more easily.” (interview #14)

Moreover, initially Boutaris, who is also well-connected with several Greek political actors, and at a second stage also the Nymphaio Commune, hosted a number of prominent members of Greece’s political class in the village, some of whom learned about Nymphaio’s revival and later became its advocates on the national stage (interviews #13, #14, #15; “Nymphaio: Fair-tale with a name”/ D7). In contrast, despite Ambelakia’s symbolic significance, which always made it an attractive place for politicians to visit (interviews #48, #51), the local stakeholders have felt powerless to either convince the

state to invest in the village – even for completing the renovation of the renown Schwarz mansion – or to attract funds from elsewhere.

Links with the authorities at different levels and know-how about potential funding sources can also be leveraged to obtain a favourable regulatory framework, which can facilitate cooperative efforts in a different way than by subsidising the upfront costs. Boutaris’s recollection of how he advocated for adjustments in the construction of Greece’s major west-to-east highway in order to avoid severely damaging the fauna of the wider area around Nymphaio is a case in point:

“With Arktouros [the NGO that ran the sanctuary for brown bears], we also intervened in the construction of the Egnatia Road. We opposed the passage of the road between Grevena and Metsovo, because it would cut the habitat of the bears in half, and the bear specialists said that it would be the end of the world if the road passed from there. The Council of the State vindicated our objection. The cost for making the tunnels in the alternative design was 60 million. At the time, Laliotis had gotten me in a room and was telling me to sign for the original design to be implemented. I told him I’m not going to sign, and instead of irritating me he should go to Brussels and talk to them about the bears which are a protected species, and ask for the funds. In the end the design was implemented with our suggestions, and animal passages and electric fencing were also built. It was my biggest achievement.” (interview #13)

As will be further discussed in the next chapter, favourable regulatory frameworks, adopted following pressure by local stakeholders who knew whom and how to ask, can also greatly facilitate cooperation in the mass tourism sector by providing a set of locally applicable rules and preventing anarchic development. Both Oia, Santorini’s most luxurious destination, and Pyrgos, a village in Santorini that developed more recently directly as an upscale destination, are governed by special architectural protective legislation, obtained following the intervention of local stakeholders who either activated their contacts in the state or simply lobbied the relevant authorities (interview #35). On the other hand, stakeholders in Chalkidiki who expected that they would obtain national public resources for infrastructural investment in return for voting for PASOK saw their hopes disappointed, despite the fact that a local politician was allocated important ministries in the PASOK government (interviews #6, #26).

#### 4.3.2 Accessing resources in the agricultural sector

Unlike remote villages, agricultural cooperatives were traditionally very well placed to attract funding from the national government due to their political importance (interview #77). Characteristically,

“The Union [of Chios *mastiha* producers] was supported by the state since it was created. By the political authorities, the local authorities *etcetera*. Because it brought many people together. (...) The Chiots are proud of their *mastiha*. The fact that their product is funded, it’s a big deal. So it [i.e. funding *mastiha*] has appeal both politically and technocratically.” (interview #60)

As a result of such considerations, at least until the Eurozone crisis, the cooperatives that I studied were generally able to access national funds, regardless of which party was in government.

At the same time, know-how and participation in networks with a high degree of linking social capital helped leading actors to access specific resources that were particularly useful for upgrading. For example, the long-time President of the Chios *mastiha* cooperative Kostas Ganiaris replied in the following way when I asked him how the *mastiha* sector was able to persuade Piraeus Bank to fund a *mastiha* museum in Chios as part of its series of thematic museums around Greece:

“Through personal contacts, I don’t want to say more. Why did [the person responsible at the bank] choose us? It was also that she considered us reliable. The Cultural Foundation of Peiraeus Bank had traumatic experiences with municipalities which agreed one thing and did another. They wanted to know that they will enter somewhere, they will be able to do their work and get out, and that the others will keep their commitments.” (interview #63)

Moreover, a story recounted by the former Director of the *mastiha* cooperative shows that having links to a variety of highly skilled stakeholders can assist even in simple daily tasks, which were nevertheless crucial for achieving the small early successes that are the key to building trust in the sector:

“An important step in the production process is the placement of the white soil underneath the trees. In the past, people went and dug into the mountains to get this white soil. In the mines. Some people died in the process. (...) At some point I said, one moment, what is this white soil? So I called our friend [X, a chemical engineer], and I asked him ‘what can I do about this white soil?’ and he said ‘send me a sample’. He does the analysis and he tells me, ‘it’s 98% calcium carbonate. You can find 98% calcium carbonate in the companies that process marble, it’s a by-product of marble’. (...) By now, we are able to give out the white soil to the producers for free.” (interview #21)

Once again, the kind of contacts that are referred to in the two previous examples did not have a party political nature, but spanned a broad spectrum of political and economic elites. As explained by the former President of the *mastiha* cooperative,

“I always kept excellent relations with all political parties, all political formations. We visited the EU, we travelled with Simitis [PASOK, Prime Minister], we travelled with Konstantopoulos [leader of the left-wing Synaspismos party], we travelled with Stefanopoulos [right-wing President of the Republic], we travelled with Chatzidakis [New Democracy MEP and later Minister], we travelled with Terence Quick [journalist, later Minister for the right-wing Independent Greeks]. We are proud of this. (...) Politically, it was difficult. During half of my tenure there was a PASOK government, and during the other half there was a New Democracy government. I never fought with or denounced anyone, even though I was asked to do so.” (interview #63)

Along similar lines, one finds multiple references in Santorini’s local press of events organised by the wine cooperative in collaboration with other local stakeholders, which attracted a number of representatives of Greece’s political elite across the political spectrum. Some of those actors can be hypothesised to have later considered the interests of Santorini’s wine sector when making policy.

Overall, the typical profile of leading actors that emerges from this account is that of highly skilled, well-connected and mobile entrepreneurs or other stakeholders. In contrast, clientelistic ties were almost never used in my case study areas to provide the resources required for cooperation for upgrading. It is interesting to note that in Chios, this description also applied to the leading actors who spearheaded the effort to establish the Union of *Mastiha* Producers as an obligatory cooperative in the 1930s: “Studying the class composition of the first Governing Board of the Union, we find that it was constituted in its entirety by educated bourgeois who came from Southern Chios and had played an important role in supporting the demand for creating an obligatory cooperative” (Tsouhli 2011: 129/ S2).

The know-how and linking social capital that leading actors use to access resources and other tools that can facilitate their institutional work can be acquired in a variety of ways, including through higher education, professional experience and even through inherited family connections. Nevertheless, higher education is one of the sources of know-how and linking social capital that is most generally available and easiest to identify, and for rural areas especially, it also offers an important opportunity to acquire translocal experience. Moreover, according to some interviewees, higher education has the potential to instil a type of confidence that can help actors overcome what a former

President of the *mastiha* cooperative called “the syndrome of the countryside”, namely the mentality that “this is not for us, it’s impossible; if your idea was good, a big industrialist would have thought about it already” (interview #66). Therefore, it is plausible to expect that the pool of potential leading actors will be higher in places whose population has a higher educational attainment. Looking at Table 6, it transpires that the share of the tertiary-educated population in the *mastiha*-producing area of Chios was substantially higher than that of the saffron-producing area of Kozani in the 1991, 2001 and 2011 censuses. The same holds true for the tertiary-educated population of Nymphaio relative to that of Ambelakia: indeed, in the 2011 census, the tertiary-educated population of Nymphaio, a remote village at 1400km altitude, was 2.5 times higher than the national average! On the other hand, the education level of the population in Santorini, Lemnos and Chalkidiki was comparable in the three censuses.

**Table 5: Level of education in the case study areas/ Source: Greek census data 1991, 2001, 2011 (ELSTAT)**

| Administrative Unit<br>Variable   | Chios<br>municipality<br>(Mastichochoiria<br>municipality) | Kozani<br>municipality<br>(Elimeia<br>municipality) | Santorini:<br>Thera<br>municipality | Municipality<br>of Lemnos<br>(Atsiki<br>municipality) | Amyntaio<br>municipality<br>(Nymphaio<br>commune) | Tembi<br>municipality<br>(Ambelakia<br>commune) | Chalkidiki:<br>Kassandra &<br>Sithonia<br>municipalities |
|---|--|---|-------------------------------------|---|---|---|--|
| <b>2011, permanent population</b>   | 51,390 (3,672)   | 71,388 (5,910)                                      | 15,550                              | 16,992 (2,535)  | 16,973 (132)                                      | 13,712 (451)                                    | 29,066   |
| <b>2011, Share of population aged 6+ with a bachelor's degree</b>                   | 17.07%<br>(11.75%)   | 16.34%<br>(7.10%)                                   | 10.43%                              | 14.19%<br>(7.31%)                                     | 9.08%<br>(25.58%)                                 | 8.00%<br>(7.86%)                                | 10.37%   |
| <b>2011, Share of population aged 6+ which completed higher secondary education</b> | 26.64%<br>(21.25%)   | 22.55%<br>(13.77%)                                  | 20.90%                              | 21.19%<br>(17.08%)                                    | 14.46%<br>(23.26%)                                | 16.12%<br>(15.95%)                              | 22.36%   |
| <b>2011, Share of population aged 6+ which completed lower secondary education</b>  | 17.90%<br>(14.93%)   | 21.91%<br>(23/19%)                                  | 23.68%                              | 20.83%<br>(25.44%)                                    | 23.28%<br>(22.48%)                                | 17.12%<br>(17.62%)                              | 21.19%   |
| <b>2011, Share of population aged 6+ with primary education or less</b>             | 38.39%<br>(52.07%)   | 39.20%<br>(55.93%)                                  | 44.99%                              | 43.80%<br>(50.17%)                                    | 53.18%<br>(28.68%)                                | 58.77%<br>(58.57%)                              | 46.09%   |
| <b>2001, permanent population</b>   | 51,773 (4,322)   | 70,220 (6,320)                                      | 13,725                              | 17,852 (2,727)  | 18,357 (211)                                      | 15,439 (415)                                    | 26,769   |
| <b>2001, Share of population aged 6+ with a bachelor's degree</b>                   | 10.27% (7.36%)   | 10.28%<br>(3.60%)                                   | 7.13%                               | 9.90%<br>(7.18%)                                      | 5.85%<br>(13.04%)                                 | 4.67%<br>(3.84%)                                | 6.69%  |
| <b>2001, Share of population aged 6+ which completed higher secondary education</b> | 25.63%<br>(18.18%)   | 22.77%<br>(11.30%)                                  | 20.06%                              | 19.49%<br>(16.65%)                                    | 13.90%<br>(27.54%)                                | 15.30%<br>(16.11%)                              | 20.22%   |
| <b>2001, Share of population aged 6+ which completed lower secondary education</b>  | 14.79%<br>(12.53%)   | 18.50%<br>(20.62%)                                  | 17.58%                              | 17.14%<br>(17.84%)                                    | 19.13%<br>(18.36%)                                | 13.43%<br>(15.35%)                              | 17.14%   |
| <b>2001, Share of population aged 6+ with primary education or less</b>             | 49.31%<br>(61.93%)   | 48.44%<br>(64.48%)                                  | 55.23%                              | 53.47%<br>(58.33%)                                    | 61.11%<br>(41.06%)                                | 66.59%<br>(64.71%)                              | 55.95%   |
| <b>1991, permanent population</b>   | 51,627 (4,707)   | 66,285 (6,457)                                      | 9,608                               | 17,712 (3,027)  | 18,320 (112)                                      | 16,215 (508)                                    | 21,871   |
| <b>1991, Share of population aged 6+ with a bachelor's degree</b>                   | 6.65%<br>(4.64%)   | 7.42%<br>(1.80%)                                    | 5.32%                               | 6.60%<br>(3.71%)                                      | 3.75%<br>(7.62%)                                  | 3.45%<br>(4.03%)                                | 4.27%  |
| <b>1991, Share of population aged 6+ which completed higher secondary education</b> | 20.28%<br>(12.55%)   | 16.21%<br>(6.57%)                                   | 11.90%                              | 15.26%<br>(13.17%)                                    | 9.27%<br>(29.52%)                                 | 8.49%<br>(11.65%)                               | 11.00%   |
| <b>1991, Share of population aged 6+ which completed lower secondary education</b>  | 13.24%<br>(13.05%)   | 15.80%<br>(12.80%)                                  | 11.02%                              | 15.67%<br>(16.88%)                                    | 14.66%<br>(8.57%)                                 | 11.53%<br>(11.44%)                              | 12.15%   |
| <b>1991, Share of population aged 6+ with primary education or less</b>             | 59.83%<br>(69.76%)   | 60.58%<br>(78.83%)                                  | 71.76%                              | 62.48%<br>(66.24%)                                    | 72.31%<br>(54.29%)                                | 76.53%<br>(72.88%)                              | 72.58%   |

**NB:** The basic administrative unit in the table is the municipality level using Greece's 2010 administrative system. Where this administrative unit is too large to provide accurate information about my case study areas, I also present data for the most relevant geographical unit based on the 1997 administrative system, which included more administrative units. This more fine-grained data is presented in parentheses.



## **4.4 A broad conception of self-interest and place-based group altruism as the leading actors' motivation**

While highly skilled, highly connected actors who are in some sense outsiders are able to conduct the institutional work required to catalyse change towards a cooperative direction at the local level, it is clear that only few of them actually do so. In addition to the aforementioned resources, what is also required to set a leading actor apart from other actors is motivation. Many leading actors in my case study areas were boundary-spanning entrepreneurs who had a broad conception of self-interest, i.e. who considered that they could only succeed in their economic ventures if the whole local sector succeeded. On the other hand, some leading actors, particularly in the alternative tourism sector of remote villages, were mainly motivated by an other-regarding desire to see a place develop. Indeed, what distinguished the leading actors in my case study areas from other, similarly endowed actors, was a combination of a particular kind of self-regarding preference, where, in a context of uncertainty about the final outcomes of different strategies, the leaders subjectively interpreted their own interest as being largely aligned with the interests of other local stakeholders, as well as a motivation to act based on a particularly strong degree of altruism towards a group defined by place. Those two types of preferences featured in the motivation of the leading actors under scrutiny to different degrees. Unlike the previously discussed characteristics of mobility and skills, preferences cannot plausibly be attributed to any particular features of place: after all, many outsiders and hybrid actors had developed their conception of self-interest somewhere else than in the locality in question. Instead, having a broad conception of self-interest as well as altruistic preferences emerges as a systematic but randomly distributed characteristic of successful leading actors in the settings under scrutiny.

### **4.4.1 A broad conception of self-interest as a motivation for boundary-spanning entrepreneurs**

Winemaker Yannis Boutaris's conception of his entrepreneurial self-interest as encapsulating the interests of the producers and other winemakers in the wine-producing areas where he is involved, is one of the most salient features that distinguishes him from many other large Greek winemakers. As he explains, "I passed in the sector the view that the aim is not for the one to eat the pie of the other, but for the pie to grow" (interview #13). Characteristically, upon his arrival in Santorini Boutaris founded an interprofessional wine association which, among other activities, conducted experimental

vinifications with local varieties and also hired an agronomist to cover the gaps at the local office of the Ministry of Agriculture. As the interprofessional association explained in the local press,

“Given the lack of an Agronomist at the Department of Agricultural Development of Thera and the unpleasant consequences that this gap creates in the agriculture of our island, all producers, whether they are members of the Interprofessional Association or not, can receive information regarding any cultivation problem (fertilization, pest control, subsidies etc.) by the agronomist of the Interprofessional Association. (...) Among so many problems that the country faces, we didn’t want to create one more, by merely denouncing the indifference of the responsible institutions.” (*Thiraika Nea*, Oct. 1994, 429)

Thus, in order to achieve quality improvement in a way that they considered would ultimately benefit them, Boutaris and the other actors who were involved in the interprofessional association were happy to entirely cover the cost of a service that the state was not able or willing to provide, thereby generating a public good to the local sector.

Boutaris’s broad conception of self-interest contrasts in a stark way with the view expressed by a Lemnian winemaker, who considers that only the cooperative would have an interest in making investments that would benefit the local sector as a whole:

“There must be a big institution, which not just has the economic capacity, but which also acts collectively and socially, right? It has as an aim to help the local economy and its producers-members. Whereas the private winemakers, right? And I include myself as a private winemaker, it doesn’t matter. The private winemakers are only interested in profit and in their pocket, they’re not interested in anything else. Right?” (interview #83)

This narrower conception of self-interest, whereby it is considered impossible that an investment with high externalities can ever yield high enough private returns to justify the cost, is typical of many agri-food actors in low-cooperation areas.

Boutaris’s success despite the hostility with which some Santorinian producers received him at the start (see chapter 2), would have been more difficult to achieve had the management team of Santorini’s obligatory wine cooperative not also had a broad conception of self-interest, seeing the arrival of Boutaris as an opportunity to help the sector solve chronic problems and modernise, rather than considering him a threat competing for a limited market share. As explained by an oenologist who used to work with Boutaris, “even letting him do the [first experimental] vinifications in their own premises for two years was a big help, because otherwise he would have been set back

for some years” (interview #30). Even more importantly, the cooperative never enforced in a strict way the legal requirement for all producers to deliver to it at least a quarter of their production, but allowed producers to freely sell grapes to Boutaris and the other private winemakers. It thereby voluntarily gave up on its obligatory character in practice, though not in paper (Iliopoulos and Theodorakopoulou 2014: 671/ S6). When challenged by a researcher whether this situation does not generate conflicts between producers who are “dedicated members” and supply all their production to the cooperative, and members who are “free-riders” and sell to the private wineries, the President of the wine cooperative seemed to resist this binary categorisation: “the Union may have some problems regarding the rights and obligations of the members, but it also has all the people with it. Even the producer who doesn’t deliver grapes to the Union is a child of the union” (Venizelou 2015: 151, 156/ S5). In other words, since the 1980s, the management of Santorini’s wine cooperative has typically taken the view that despite the tensions that inevitably arise due to raw material shortages, private winemakers, and by extension the producers that supply their grapes, don’t generally constitute a problem for the local wine sector, but they are allies in the effort to increase the size of the sector’s pie.

As was seen in the previous chapter, the management team of the Chios *mastiha* cooperative has also embraced a similarly broad conception of self-interest, and has indeed gone to great lengths to render this a shared conception across the sector. The cooperative’s Alternate Director explained that even though they make similar products as the cooperative’s subsidiary, private firms are seen as allies rather than competitors in the effort to promote *mastiha*: “when you need to sell the entire *mastiha* production, you want to create your own competition, you don’t just sell your own products through your subsidiary” (interview #59). In the words of the former President Ganiaris, “We care about the development of *mastiha*, not to sell our own products. (...) If [another firm’s] product is better, let it survive, or let us become better” (interview #63). Consistently with this narrative, when a private entrepreneur approached the *mastiha* cooperative with the proposition to make a *mastiha* liqueur, in his own account they “welcomed” the proposition “as a nice, new, creative, fresh effort” which “fit very well with the philosophy of the Union and the *MastihaShops*”; “they helped me a lot in the whole process” (interview #65).

In contrast, as was discussed in the previous two chapters, in the absence of a leading actor with a broad conception of self-interest, a sense of fragmentation among different groups of actors will persist. Characteristically, neither the cooperative nor the

private entrepreneurs interviewed in Kozani considered that an increase in the number of firms producing goods with Kozani saffron would be a positive development. As mentioned by a local agri-food entrepreneur in one of the few local firms that process saffron,

“The cooperative didn’t keep its promises. They said they wouldn’t close many similar deals, but they have given saffron even to the last person who asked to make saffron products. (...) One shouldn’t give the saffron everywhere, because everyone can copy the other person.” (interview #57)

In turn, seeing multiple firms produce Kozani saffron products also does not seem to be what the cooperative currently wants:

– [Me:] Is there a local ecosystem of businesses that produce saffron products?

– [Interviewee:] Not really. The cooperative doesn’t want it, after all. It prefers to sell its own products.” (interview #53, former President of the saffron cooperative)

Despite the similarity in the institutional environment in terms of the presence in both Chios and Kozani of an obligatory cooperative with a monopsony over a rare agricultural good, the difference in the interviewed actors’ conception of self-interest between the two areas is indeed remarkable.

A conception of entrepreneurial self-interest as encompassing the interests of others was also a salient characteristic of leading actors in the tourism sector. Characteristically, Konstantinidis, the pioneer of conference tourism in Santorini, explains in the following way his decision to organise thematic conferences about Santorini’s agricultural products:

“Especially for Santorini, the challenge was that nobody had studied scientifically a number of issues that concerned the island. For instance, the agricultural production. So we saw an opportunity. (...) When, for instance, we said that we’ll do a conference for the little tomato, we went to the Union and we said, will you play with us? And the Union said, I will play. Then we went to the winemakers, and we said who of you wants to get involved? There’s always someone who wants. (...) On the basis of the three conferences that we did in four years about the waterless Santorini tomato, the application that was submitted to the European Union to make the tomato a Protected Designation of Origin product was prepared.” (interview #75)

Thus, not only did Konstantinidis set up a team of diverse stakeholders in order to realise what he considered to be his entrepreneurial self-interest, but his entrepreneurial idea even resulted in the compilation of the material required to apply for a Protected Designation of Origin for one of Santorini’s agricultural products. When I asked

Konstantinidis why he and another handful of entrepreneurs “undertook a personal cost in order to develop some ideas and create a market”, he replied: “I don’t believe that it’s like that. We did it, and whoever was involved, because we wanted a better destination for our client. It was us that it would benefit” (interview #75).

Similarly, Chatzigiannakis, who spearheaded the rise of gastronomical tourism in Santorini, undertook a large part of the cost to attract media attention to Santorini’s gastronomy, including by hosting journalists on several occasions and organising events both in Santorini and elsewhere. As he explains, if journalists learned about the “myth of Santorini”, “that’s an advertisement for me”; after all, “you don’t become a gastronomical destination if you’re shut in your own store” (interview #35). This broad conception of self-interest helps to resolve the apparent contradiction mentioned by one interviewee: “Why should Chatzigiannakis carry others along with him? He has a business, he’s not acting out of altruism” (interview #67).

#### 4.4.2 Place-based group altruism as a principal motivation of leading actors in remote areas

While a market orientation is necessary in order to catalyse the development of an alternative tourism sector in remote areas, entrepreneurial self-interest alone is unlikely to be sufficient as a motivation for potential leading actors in such areas, no matter how broad it is. After all, there are usually few entrepreneurs in places that face strong pressures of depopulation. Instead, the evidence that I collected in the alternative tourism sector in Nymphaio suggests that an at least partly other-regarding, strong altruistic desire to see a place experience inclusive economic development and flourish is a key motivation for leading actors in such contexts. This point comes across in a clear way from the narratives of both the key leading actors in Nymphaio:

“At some point it hit me that I liked my village Nymphaio very much, and I was sorry to see it slowly die. And I said that we must do something, with – even if it this sounds a bit ridiculous – respect for the ancestors. I couldn’t let it collapse. But in order to do something for the village, you must first of all put an emphasis on the economy of the place. Without this, nothing can be done. By this logic, I decided to make two hotels, one luxury one, *La Moara*, and a shelter-style one, *Linouria*. I didn’t decide to become a hotelier, I just wanted to create a certain situation. And I saw my dream being realised! Because I saw Nymphaio reviving, acquiring more life.” (Yannis Boutaris, quoted in Netsika 2006)

“Between 1980 and 1995 only 35 people had remained in the village. At that point, we decided not to let the village die. The roads and buildings had been totally destroyed. I decided to abandon journalism and Thessaloniki, and I

came to live here, where I stayed for twelve years as President of the Commune.” (Nikos Mertzos, interview #14)

Unlike the main motivation of most leading actors in the agri-food and mass tourism sectors, Boutaris and Mertzos’s motivation comes across as being primarily linked to their attachment to their place of origin, rather having to do with the realisation of an entrepreneurial idea that requires all boats to be lifted at the same time. In turn, the aptitude of both actors for projecting their vision about inclusive economic development via alternative tourism to local stakeholders was key for the ultimate success of their efforts.

Overall, actors in high-cooperation areas generally have broader conceptions of self-interest than actors in low-cooperation areas. Although, as was seen in the previous chapter, such conceptions of shared interest can be spread by leaders who are able to project their vision, the initial availability of leading actors with a broad conception of self-interest or a place-based altruistic motivation is in itself crucially important for triggering change from low to high cooperation. The presence of leading actors with such motivation appears to be a systematically key element for cooperative change, but the availability of such actors in particular places is subject to an element of randomness.

#### **4.5 Concluding remarks**

In this chapter, I set out to provide an account of the analytically relevant characteristics of actors who undertake the institutional work required to catalyse cooperation at the local level, despite the costliness and complexity of the task. I argued that successful leaders are typically translocally embedded, highly skilled and highly connected actors who are motivated by a broad conception of self-interest or by a particularly strong degree of place-based group altruism. This depiction builds on Crouch’s (2005) argument that having access to diverse institutional repertoires improves the ability of leading actors to innovatively recombine elements of different institutional frameworks, as well as on the insight that economic innovation depends on the “movement of people with ideas” (Crescenzi and Gagliardi 2015). Having examined in a detailed way how the leading actors in my case study areas drew on a range of assets and resources to successfully conduct the three types of institutional work analysed in the previous chapter, I suggest that translocal links, a high level of skills, and participation in networks with a high degree of linking social capital (as distinct from membership in clientelistic networks where funds are exchanged for votes) should be considered as

centrally important variables for the emergence of cooperation. As regards the leading actors' motivation, I argued that while strong place-based altruistic preferences are important, in order to fully account for what sets the leading actors apart from others, it is necessary to acknowledge that self-regarding preferences also play a significant motivating role: what is key is that, in a context of uncertainty and bounded rationality, the leaders interpret a given situation in a way that is consistent with a broad conception of self-interest.

In addition, I argued that despite an important element of randomness in the distribution of preferences, leadership of the aforementioned type is more likely to become available in places with many translocal links and a high degree of educational attainment in the population: in such places, the pool of potential leading actors is bigger. This depiction runs counter to the view often found in the cooperation literature of cooperative norms as a feature of stable, tightly-knit and insular communities. I discussed the degree to which my different case study areas differ in terms of those place-based characteristics, and I also suggested some reasons for those variations. In particular, having a population which sought better life chances outside the area in the recent past generated strong translocal networks in some case study areas, while in others, close proximity to a city with ample employment opportunities in insular sectors reduced the local actors' translocal embeddedness. As an extension of this chapter's argument, the Appendix to Chapter 4 employs an observational statistical analysis which examines whether there is an association between translocal links, educational attainment and cooperation using nationwide data in Greece.

## APPENDIX TO CHAPTER 4

### A STATISTICAL ILLUSTRATION OF THE PLAUSIBILITY OF THE ARGUMENT

The argument put forward in Chapter 4 regarding a possible association between the translocal links and know-how of an area's population and the degree of cooperation in that area, can in principle be tested quantitatively. The difficulty with such an exercise is that these factors are difficult to measure quantitatively. Nevertheless, in order to further investigate the plausibility of Chapter 4's argument, I constructed a nationwide cross-sectional database including proxy variables for the principal underlying factors of interest. This analysis constitutes a preliminary effort to examine whether an observational analysis of large-N data is consistent with the argument put forward in the Chapter, which can act as a starting point for a more comprehensive future study.

In attempting to examine quantitatively the characteristics of places with high degrees of cooperation among economic actors, the biggest challenge is to measure the degree of cooperation in each area. I constructed two cooperation variables, one for the agri-food and one for the tourism sector. For the agri-food sector, I used as an estimate of cooperation the proportion of producers in each municipality who are members of an agricultural cooperative. In order to construct this variable, I requested and collected data from the Ministry of Agriculture about the number of members of cooperatives listed in the National Registry of Agricultural Cooperatives. Before the Eurozone crisis, membership in one of Greece's approximately 6000-7000 agricultural cooperatives was not a meaningful measure of cooperation because most cooperatives were inactive, highly indebted and mainly existed to distribute state funding (Doxiadis 2014: 130). However, following a number of reforms and the creation of the National Registry of Agricultural Cooperatives during the last decade, the approximately 600 currently registered cooperatives are solvent and fulfil a set of criteria, which render membership in those cooperatives a meaningful measure of cooperation (Efthymiou 2017: 9-10; telephone conversation with Petros Efthymiou, 13 April 2020). In order to capture the denominator, i.e. the total number of producers, I used the number of agricultural properties in each municipality, as 99.92% of agricultural properties in Greece are individually owned (telephone conversation with an employee at the Agriculture, Livestock, Fishery and Environment Statistics Division of the Hellenic Statistical Authority, 6 August 2020).



In order to measure the degree of cooperation in the tourism sector, I constructed a variable that captures the proportion of hotels in each municipality who are members of a voluntary hotel association. I collected data regarding the members of voluntary hotel associations in each municipality from the website of the Hellenic Hoteliers' Federation, which is the umbrella organisation for voluntary hotel associations in Greece. I collected data regarding all businesses with a hotel permit in each municipality from the website of the Hellenic Chamber of Hotels, where all hotels are registered obligatorily.<sup>11</sup> I then checked whether each hotel registered in the Chamber of Hotels was also a member of a voluntary hotel association. As for the agri-food sector, the cooperation variable for the tourism sector is of course imperfect: different voluntary hotel associations engage in different degrees of cooperation, with some undertaking more demanding forms of cooperative activities than others. Nevertheless, the variable that I constructed is a meaningful measure of cooperation, because the existence of a voluntary hotel association that includes a large share of local hotels indicates that local economic actors have, at the very least, created a broad-based local arena for discussion, which is itself a cooperative institution, and they are likely to be engaging in some additional forms of cooperation as well.

Moving on to the independent variables, in order to measure a place's translocal links, I relied on a census question which asks respondents to declare where they lived five years prior to the census, capturing the population's recent mobility. Specifically, the variable that I used was the percentage of the population of a municipality who lived in the same municipality five years prior to the 2011 census: the higher that percentage, the lower the population's recent mobility. In order to capture the population's know-how and linking social capital, I used as a proxy variable educational attainment, and specifically the percentage of each municipality's population with a tertiary education degree or above during the 2011 census. Finally, the third independent variable in my models is an estimation of the percentage of the population with a higher education degree from a foreign university, based on data provided to me by the Greek authority responsible for the recognition of foreign university degrees (DOATAP). This variable captures both mobility and educational attainment, thereby reflecting the place-related characteristics that are of interest in the analysis in a relatively precise way.

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<sup>11</sup> The idea to use the information provided by the Hellenic Hoteliers' Federation and the Hellenic Chamber of Hotels was originally given to me by interviewee #24.

Tables 6 and 7 show the descriptive statistics for all variables. For the analysis in the agri-food sector (Table 7), I included all municipalities which had a cultivated area of at least 10,000 *stremmata*,<sup>12</sup> thereby excluding areas with practically no agricultural production. For the analysis in the tourism sector, I included all municipalities which had at least one registered hotel in the Hellenic Chamber of Hotels. It is worth noting that the proportion of farmers participating in a cooperative displays a skewed distribution, with few municipalities having a high participation rate. This is even more pronounced when it comes to the participation of a hotels in voluntary associations. The skewed distribution of the cooperation variables makes sense, as cooperation is a rare event in Greece.

In order to examine the association between the dependent and independent variables, I had to take into account that my dependent variables are bounded between 0 and 1 (as they are proportions), and they are heavily skewed towards 0. This makes it inappropriate to use an Ordinary Least Squares (OLS) linear regression model. Moreover, running an OLS model on the given data yields residuals that are far from being normally distributed, indicating that the model is not suited for statistical inference and therefore for examining the association that is of interest here. Instead, I made use of a logistic regression model for grouped data.<sup>13</sup> Logistic regression models are typically used to study associations with binary dependent variables, and they estimate how various factors affect the probability that the particular outcome in question will occur. Because they assume that the dependent variable follows a binomial distribution (reflecting the probability of a number of “successes” over the total number of observations), logistic regression models are also very well-suited to the study of proportions such as my dependent variables, which can be thought of as denoting the number of successes (number of members in a cooperative or association) out of  $n$  trials (total number of producers or hotels in each municipality). Using the logistic regression model for grouped data, I can input the dependent variable data as a proportion. The model assumes that the proportion denotes the number of instances where the outcome of interest occurred over the total number of trials in each municipality, and calculates how the independent variables influence the probability of success (i.e. membership in a cooperative or association), in the same way that an ordinary logistic regression model for ungrouped data does (Agresti 2007: 106).

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<sup>12</sup> 1 *stremma* is equal to 1000 square metres of land.

<sup>13</sup> I would like to thank Nikos Pantazis for this suggestion.

The results of the model indicate that the nationwide observational data that I collected is consistent with the depiction of high-cooperation areas in Greece as places whose population has many translocal links and a high degree of know-how. All three independent variables have statistically significant effects on the observed degree of cooperation in the expected direction. Specifically, controlling for the other variables, a 1% increase in the share of the population with tertiary education is associated with an 8.4% increase in the odds that a particular producer will be a member of an agricultural cooperative; a 1% increase in the share of the population which was resident in the same municipality five years earlier is associated with a 1.1% decrease in the odds that a particular producer will be a member of an agricultural cooperative; and a 1% increase in the share of the population with a tertiary degree from a foreign university recognised by the Greek authorities is associated with a 23.6% increase in the odds that a particular producer will be a member of an agricultural cooperative (Table 9). In the tourism model, controlling for the other variables, a 1% increase in the share of the population with tertiary education is associated with 3.5% increase in the odds that a particular producer will be a member of an agricultural cooperative; a 1% increase in the share of the population which was resident in the same municipality five years earlier is associated with a 1.5% decrease in the odds that a particular producer will be a member of an agricultural cooperative (although the statistical significance of the association is less pronounced than for the other variables); and a 1% increase in the share of the population with a tertiary degree from a foreign university recognised by the Greek authorities is associated with an increase by 4.304 times in the odds that a particular producer will be a member of an agricultural cooperative (Table 10).

This preliminary attempt to explore the characteristics of high-cooperation areas in Greece through a large-N observational analysis can be strengthened by adding further controls to the analysis, such as variables capturing the occupational composition of different areas, and particularly the share of employment in the public sector, which, as has been argued in the dissertation, can generate satisficing and an insular mentality that act as a hindrance to the emergence of cooperation for upgrading. Moreover, one could only begin to contemplate a causal analysis if it was possible to collect time-series data and identify place-based attributes prior to the emergence of cooperation, but this is very difficult to achieve for the cooperation variables. Nevertheless, even this first attempt to provide a quantitative measure of cooperation and cross-sectionally analyse its correlates offers a rare depiction of the characteristics of high-cooperation places in Greece.

Consistently with the argument put forward in Chapter 4, this depiction runs counter to the view often found in the cooperation literature of cooperative norms as a feature of stable, insular and tightly-knit communities.

**Table 6: Descriptive statistics of the variables for the agri-food model (n=238)**

| Variable   | Mean     | Standard Deviation | Minimum | 25 <sup>th</sup> percentile | Median   | 75 <sup>th</sup> percentile | Maximum |
|--|----------|--------------------|---------|-----------------------------|----------|-----------------------------|---------|
| Number of agricultural properties, 2009  | 2,988.45 | 2,350.02           | 83      | 1,481.25                    | 2,479.50 | 4,111.00                    | 15,949  |
| Number of members of registered cooperatives, 2018-2019  | 564.54   | 953.76             | 0       | 19.75                       | 205      | 703                         | 7,603   |
| Percentage of owners of agricultural properties who are members of registered cooperatives                   | 18.51    | 24.36              | 0       | 0.87                        | 9.73     | 25.68                       | 100     |
| Percentage of the population with tertiary education, 2011   | 7.66     | 3.34               | 1.83    | 5.45                        | 7.00     | 9.37                        | 23.80   |
| Percentage of the population who were living in the same municipality 5 years previously, 2011               | 88.28    | 4.06               | 74.46   | 86.68                       | 89.07    | 90.69                       | 97.61   |
| Percentage of the population with a foreign university degree recognised by the Greek authorities, 2008-2019 | 0.4268   | 0.22441            | 0.19    | 0.2500                      | 0.4100   | 0.5125                      | 1.52    |
| Permanent population, 2011   | 29885.18 | 50680.64           | 1334    | 10922                       | 17888    | 32905                       | 664046  |

**Notes:** (1) In order to exclude from the analysis areas with no agricultural sector, only municipalities which had a cultivated agricultural area over 10,000 *stremmata* were included in the analysis (1 *stremma* is equal to 1000 square metres of land). The total number of observations was therefore 238, out of a total of 316 municipalities.

(2) In the agri-food dependent variable (percentage of owners of agricultural properties who are members of registered cooperatives), 8 municipalities had a larger number of members of registered cooperatives than owners of agricultural properties. This could be due to a variety of reasons, e.g. time lag between the “number of agricultural properties” and the “members of registered cooperatives” variable and inclusion in the “members of registered cooperatives” variable of producers such as beekeepers who do not own the land that they use. In order to be able to run the analysis, these 8 observations were assigned the value 100% for the dependent variable. In a future analysis, one could attempt to find data on the number of producers directly, rather than relying on agricultural holdings.

(3) I only had data for the third independent variable, namely the percentage of the population with a foreign university degree recognised by the relevant Greek authority DOATAP, at the prefecture level, and not at the municipality level. In order to conduct

the analysis, I assigned to each municipality as a value for this variable the percentage of owners of degrees from foreign universities that was observed at the prefecture where the municipality belongs.

**Data sources:** Hellenic Statistical Authority (ELSTAT), 2011 census (for the tertiary education, recent mobility and population variables); ELSTAT, 2009 Census of Agricultural and Livestock Holdings (for the number of agricultural properties); Greek Ministry of Agriculture (for the cooperatives registered in the National Registry of Agricultural Cooperatives and the number of members of all active cooperatives).

**Table 7: Descriptive statistics of the variables for the tourism model (n=268)**

| Variable   | Mean     | Standard Deviation | Minimum | 25 <sup>th</sup> percentile | Median   | 75 <sup>th</sup> percentile | Maximum |
|--|----------|--------------------|---------|-----------------------------|----------|-----------------------------|---------|
| Number of hotels registered in the Hellenic Chamber of Hotels  | 28.65    | 50.81              | 1       | 4                           | 11.5     | 26                          | 408     |
| Number of hotels that are members of voluntary associations  | 6.68     | 17.17              | 0       | 0                           | 0        | 5                           | 179     |
| Percentage of registered hotels that are members of voluntary associations                                   | 19.23    | 28.59              | 0       | 0                           | 0        | 29.81                       | 100     |
| Percentage of the population with tertiary education, 2011   | 8.97     | 4.98               | 1.65    | 5.78                        | 7.90     | 10.78                       | 27.92   |
| Percentage of the population who were living in the same municipality 5 years previously, 2011               | 87.60    | 4.27               | 65.71   | 88.57                       | 88.51    | 90.22                       | 97.48   |
| Percentage of the population with a foreign university degree recognised by the Greek authorities, 2008-2019 | 0.4396   | 0.21882            | 0.19    | 0.2500                      | 0.4300   | 0.5900                      | 1.52    |
| Permanent population, 2011   | 33708.06 | 53307.85           | 1008    | 10154.50                    | 19826.50 | 38161.50                    | 664046  |

**Notes:** (1) In order to exclude from the analysis areas with no tourism sector, only municipalities which had at least one registered hotel in the Hellenic Chamber of Hotels were included in the analysis. The total number of observations was therefore 268, out of a total of 316 municipalities.

(2) In order to ensure consistency in the measure of the dependent variable (percentage of registered hotels that are members of voluntary associations), the members of the voluntary associations were checked individually to ensure that they are registered hotels. Thus, businesses without a hotel permit who were members of voluntary hotel associations were excluded from the analysis.

(3) Comment 3 of Table 7 applies here as well.

**Data sources:** Hellenic Statistical Authority (ELSTAT), 2011 census (for the tertiary education, recent mobility and population variables); Hellenic Chamber of Hotels (for the number of hotels registered in the Hellenic Chamber of Hotels); Hellenic Hoteliers' Federation for the names of the voluntary associations of hotels in Greece which are

members of the Hellenic Hoteliers' Federation; websites of the individual voluntary hotel associations for their member-hotels.

**Table 8: Logistic regression for grouped data results: Dependent variable = proportion of producers in each municipality who are members of a registered agricultural cooperative (n=238)**

|  | Univariate (unadjusted) models* |                                      |         | Multivariate (mutually adjusted) model** |                                      |         |
|--|---------------------------------|--------------------------------------|---------|--|--------------------------------------|---------|
|  | Coefficient (standard error)    | Odds ratio (95% Confidence interval) | P-value | Coefficient (standard error)             | Odds ratio (95% Confidence interval) | P-value |
| Percentage of the population with tertiary education, 2011   | 0.0876025<br>(0.0009138)        | 1.092<br>(1.090, 1.094)              | <0.001  | 0.0808666<br>(0.0010007)                 | 1.084<br>(1.082, 1.086)              | <0.001  |
| Percentage of the population who were living in the same municipality 5 years previously, 2011               | -0.0408833<br>(0.0009745)       | 0.960<br>(0.958, 0.962)              | <0.001  | -0.0113157<br>(0.0009755)                | 0.989<br>(0.987, 0.991)              | <0.001  |
| Percentage of the population with a foreign university degree recognised by the Greek authorities, 2008-2019 | 0.310803<br>(0.011171)          | 1.365<br>(1.335, 1.395)              | <0.001  | 0.2122781<br>(0.0116217)                 | 1.236<br>(1.209, 1.265)              | <0.001  |

\* Model Akaike Information Criterion (AIC): 207822, 214833 and 216223 respectively  
\*\* AIC: 207398

**Table 9: Logistic regression for grouped data results: Dependent variable = proportion of hotels in each municipality that are members of voluntary hotel associations (n=268)**

|  | Univariate (unadjusted) models* |                                      |         | Multivariate (mutually adjusted) model** |                                      |         |
|--|---------------------------------|--------------------------------------|---------|--|--------------------------------------|---------|
|  | Coefficient (standard error)    | Odds ratio (95% Confidence interval) | P-value | Coefficient (standard error)             | Odds ratio (95% Confidence interval) | P-value |
| Percentage of the population with tertiary education, 2011   | 0.06042<br>(0.00713)            | 1.0623<br>(1.0475, 1.0772)           | <0.001  | 0.034339<br>(0.007759)                   | 1.035<br>(1.019, 1.051)              | <0.001  |
| Percentage of the population who were living in the same municipality 5 years previously, 2011               | -0.029532<br>(0.008183)         | 0.971<br>(0.995, 0.987)              | <0.001  | -0.015455<br>(0.008800)                  | 0.985<br>(0.968, 1.002)              | 0.0791  |
| Percentage of the population with a foreign university degree recognised by the Greek authorities, 2008-2019 | 1.60973<br>(0.12723)            | 5.001<br>(3.898, 6.418)              | <0.001  | 1.459572<br>(0.130060)                   | 4.304<br>(3.336, 5.554)              | <0.001  |

\* Model Akaike Information Criterion (AIC): 3167.9, 3225.2 and 3073.1 respectively  
\*\* AIC: 3045.9

## CHAPTER 5

# SECTORAL INSTITUTIONAL FRAMEWORKS AND THE EMERGENCE OF COOPERATION: EU TO THE RESCUE?

### 5.1 Facilitative political regimes in the EU context

As soon as I arrived in Santorini on a Sunday evening for my first fieldwork trip there, I met the Vice-Mayor at the reception area of the wine cooperative. Our discussion spanned a range of issues about both the agri-food and the tourism sectors, and the Vice-Mayor described Santorini as “an island of contrasts” (interview #28). I have thought about this characterisation many times since that evening. Indeed, Santorini, a small island of 73 square kilometres and 15,000 inhabitants (Table 6), is a mass tourism destination with 1.5 million arrivals per year (Spilanis 2017: 21/ S20), and yet, alongside thousands of tourism businesses, it also has a substantial agricultural sector with three Protected Designation of Origin products. Santorini features some of the highest-quality wines, restaurants and small luxury hotels in the country, and yet as soon as visitors venture out on the island’s public space, they are likely to face “urban-style problems” (interview #28), including traffic, pollution, overcrowding, and uncleanliness (Spilanis 2017: 35/ S20). Santorini’s winemakers and grape producers have engaged in remarkable forms of coordination and cooperation to produce Greece’s most expensive wines, and yet, in a substantial part of the island, the anarchic manner in which the tourism industry has developed, without a plan and without any rules, creates an image of an undifferentiated, low-quality, degraded mass tourism destination: “the traffic is exasperating, the anarchy is unthinkable, illegal parking is the rule, whoever is honest gets tormented, whoever breaks the rules is king” (intervention of K. Zekkos in Vatopoulos *et al.* 2018).

In this chapter, I take a step back from the micro level of analysis that I have adopted so far, and I argue that part of the explanation for the contrasts observed in Santorini has to do with the differences in the overarching institutional frameworks that apply in the agri-food and tourism sectors. Other factors, and particularly the different number of actors involved in agri-food and tourism and the different degree of dispersion

of the benefits of cooperation in the two sectors, undeniably also play a role. Nevertheless, the variation in macro-level institutions matters. While local-level leadership of a particular kind is a necessary condition for the supply of local-level cooperative institutions, in some contexts the applicable sectoral governance frameworks aggravate the obstacles to cooperation to such an extent that leadership alone does not suffice to overcome them. Thus, having in place a macro-institutional framework that, at least to some degree, facilitates cooperation emerges as a second necessary condition for the supply of local-level cooperative institutions. But what does a facilitative overarching institutional framework look like? And how can it be provided in a country where, as was seen in the introduction, the national institutional framework is considered to be weak?

In chapter 3, I pointed out that the precise way in which local conditions influence the likelihood of local-level cooperative institutions being supplied or not is not well understood in the literature. In contrast, the characteristics of overarching institutional frameworks that facilitate cooperation are well accounted for in existing studies. Although Ostrom's *Governing the Commons* is best-known for the ten design principles of successful local-level institutions for the management of common-pool resources (1990: 88-102), it is less commonly appreciated that the book also offers a useful and comprehensive account of the overarching institutional frameworks that abate the obstacles to cooperation, which Ostrom calls "facilitative political regimes" (1990: chapter 4 and 200-201, 211-214). In this chapter, I make use of Ostrom's concept of facilitative political regimes in an analysis of the national and supranational policies that are relevant to cooperation for upgrading in the agri-food and tourism sectors, thereby putting forward a framework for policy analysis that can be of broader relevance for the study of economic development in fragmented economies.

Importantly, in EU member-states, the sectoral policies that constitute the relevant overarching institutional frameworks when it comes to cooperation for upgrading are provided at both the national and the EU levels, to different degrees depending on the sector in question. The central argument of this chapter is that in sectors that fall under the scope of EU competence, such as the agri-food sector, EU policies can supplement national policies and to some extent compensate for deficiencies in national institutional frameworks. As a result, economic actors in those sectors can acquire access to a facilitative overarching institutional framework even if they are located in a country with weak national institutions. By examining how in some sectors, EU policies have the potential to help reshape domestic governance arrangements in a way that reduces the



barriers to local-level cooperation, I follow calls to move beyond the study of conditionality-based policies for the encouragement of domestic reform in favour of economic development (Bruszt and McDermott 2012: 747), and I propose a novel angle through which to study the EU's agricultural and regional policies.

The chapter is structured in the following way: in the remainder of this section, I outline the characteristics of facilitative political regimes, and I analyse how the concept can help bring to the forefront important but hitherto underappreciated implications of EU and national sectoral governance frameworks. In the following four sections, I exploit the variation in the sectoral governance frameworks that are applicable in my case study areas to show empirically the effect that different sectoral policy provisions had on the prospects for local-level cooperation. I argue that particularly in highly regulated sub-sectors like wine, the EU's Common Agricultural Policy (CAP) acts as a facilitative political regime which, in the presence of local-level leadership, enables local actors to establish local-level cooperative institutions and reap the benefits of cooperation. Viewed from that angle, it is no accident that many of the most notable instances of cooperation for upgrading in Greece have occurred in the agri-food sector and especially in the wine sub-sector. To some extent, the EU's regional policies have aspired to provide similar tools in the alternative tourism sector, but have only succeeded in doing so in a more limited way. On the other hand, the overarching institutional framework that is applicable in the Greek mass tourism sector, which mostly falls outside the sphere of the EU's competence, impedes rather than facilitating the emergence of cooperation for upgrading, and this is one of the reasons why it is difficult to pinpoint even a single case in which a high degree of cooperation among economic actors can be observed in the sector.

### 5.1.1 Characteristics of facilitative political regimes

Ostrom outlines the characteristics of facilitative political regimes based on her and her colleague's fieldwork on groundwater resource management in California. In her view, a facilitative political regime "allows substantial local autonomy, invests in enforcement agencies, and provides generalized institutional-choice and conflict-resolution arenas". It thereby enables local actors to supply local-level cooperative institutions when they may not have succeeded in doing so in a different setting (1990: 212).

Firstly, Ostrom strongly emphasises that facilitative political regimes do not impose substantive cooperation rules on local actors from above, but encourage the

concerned actors to define their own rules through deliberation in inclusive arenas for discussion. This is because even “honest officials” in a centralised state do not have the necessary information to design cooperation rules that are congruent with local conditions: “if, instead of honest officials, one posits corrupt centralized regimes”, then local actors are incentivised to devote their efforts in gaining special favours from national-level politicians, rather than working with other local actors to increase the size of the local pie (Ostrom 1990: 200, 214; see also McDermott 2007: 106-107; Bruszt and McDermott 2012: 748). The importance of “incorporating a variety of socioeconomic groups into the policy-making process and empowering them to experiment with new policies and institutional forms” is also one of the principal conclusions of the literature on participatory governance (McDermott 2007: 107), for the additional reason that through the act of “studying their industries jointly”, economic actors come to see the costs and benefits of cooperative strategies under a new light, leading them to redefine their interests (Sabel 1993:1158-1159).

Beyond encouraging local actors to negotiate the rules that will govern their cooperative efforts, facilitative political regimes also provide mechanisms to ease the monitoring and enforcement of those locally determined rules and to expedite dispute resolution. Ostrom argues that the supply of cooperative institutions for groundwater resource management in California was greatly helped by California’s court system, which gave to individual appropriators standing to initiate litigation in order to settle their disputes; indeed, the state even subsidised the costs of such litigation by one-third (1990: 138-139).

Moreover, facilitative political regimes reduce the obstacles to cooperation by providing information and technical assistance to the local actors about the properties of their common resources, a role played in Ostrom’s case study by the Californian Department of Water Resources and the US Geological Survey (1990: 138-139). If we see the provision of such technical assistance as a type of subsidisation of the upfront costs of cooperative efforts, then more generally, “besides a permissive legal environment of the kind just described, the obvious national complement to [participatory] projects would be a system of grants-in-aid to distressed localities”, which would be “spent at the discretion of the local economic actors” (Sabel 1993: 1167).

Finally, Ostrom’s first of the ten design principles for successful local-level common-pool resource (CPR) management institutions is also relevant here, even though she does not discuss it in the context of her analysis about facilitative political regimes.

This principle has to do with “clearly defined boundaries”: “individuals or households who have rights to withdraw resource units from the CPR must be clearly defined, as must the boundaries of the CPR itself” (1990: 91). Ostrom presents the clear delineation of the boundaries of the group as a feature of local-level institutions, but more often than not, the extent to which group boundaries are malleable depends on the applicable macro-institutional rules. The importance of clearly defined boundaries does not so much stem from protectionist considerations, i.e., from the fact that barriers to entry reduce competition and thus increase the potential rents that economic actors can collectively gain from the product or service that they produce jointly. After all, as was discussed at length in the previous chapter, barriers to entry can also have a deleterious effect on cooperation, as they reduce diversity and thus also the likelihood of institutional and economic innovation. Instead, clearly defined boundaries are important for two reasons. Firstly, knowing and being able to easily communicate with the full set of potential contributors to a collective good is necessary for brokering broad-based agreements about local cooperative rules, as well as for monitoring compliance with those rules. Secondly, if the actors concerned are to use a low enough discount rate when calculating the present value of the future benefits of cooperation so as to decide to cooperate, it is necessary to have in place an institutional framework that prevents the unconstrained entry of new, opportunistic actors who can benefit from the collective good created by the first movers but without contributing to, or even while undermining, its provision. In other words, while it is clear that in a free market economy, it is neither possible nor desirable for the number and identity of participants in a local sector to be fixed, different sectoral rules imply different degrees of barriers to entry for opportunistic actors and different obligations of local actors to participate in joint institutions. Macro-level institutional frameworks that encourage or require the inclusion of new entrants in previously created local cooperative rules and institutions increase the bargaining power of the first movers to prevent opportunistic behaviour by new entrants, thereby facilitating the emergence and perpetuation of cooperation.

Overall, rather than either ignoring cooperation problems altogether or regulating local cooperative activities in substantive detail from the top, a facilitative political regime creates the conditions where a broad range of local actors are encouraged to take decisions about the rules governing their cooperation, and can monitor and enforce the implementation of those rules (see Box 4 for an overview). Given the enabling and procedural character of the rules associated with facilitative political regimes, having in place a macro-institutional framework that is at least to some degree facilitative is a necessary but not a sufficient condition for the supply of local-level cooperative institutions: for that, local-level leadership is also required.

**Box 4: Characteristics of facilitative political regimes**

1. They incentivise or require the adoption of a locally applicable set of cooperation rules
2. They allow local communities to define their own cooperation plans and rules, and to that end they create inclusive arenas for discussion and dispute resolution
3. They provide institutional structures for, and/ or decrease the costs of monitoring and enforcing the local rules
4. They provide information and technical assistance to the local actors, or otherwise subsidise the upfront costs of cooperative efforts
5. They enable a relatively clear delineation of the boundaries of the group of relevant local actors

**5.1.2 National and European sectoral institutional frameworks as potentially facilitative political regimes**

Facilitative political regimes play a key enabling role in the provision of local-level cooperative institutions not only when it comes to common-pool resource management, but also in the case of cooperation for upgrading. But can economic actors have access to facilitative sectoral regimes in countries whose national institutional frameworks are characterised by important weaknesses?

Indeed, as was mentioned in the introduction, Greek formal institutions have well-documented shortfalls with regard to the uniform implementation of the law (Doxiadis 2014: chapter 6). This discourages cooperation, as it is easier for micro-firms than for larger entities such as cooperatives to evade state controls. As studies of the role of the shadow economy in local economic development have shown, while illegal activities such as tax evasion and the irregular employment of workers have at times helped bolster

local SMEs and boost economic growth in backward regions in the aftermath of a major crisis, in the long term, reliance on the shadow economy inhibits “the production of local collective competition goods for the upgrading of the firms’ competitive strategies”, leading to a “‘fast development’ trap, where swift economic growth based on the mix of low quality/ low prices and a high level of shadow economy [promotes] an institutional environment that [hinders] the possibility of pursuing the so-called high road of development, based on innovation and high-quality products” (Burrone *et al.* 2008: 487).

Moreover, the Greek justice system works slowly and ineffectively, which to an extent deprives local actors of an important recourse mechanism for the enforcement of locally applicable rules. The Greek state is one of the most centralised in Europe, leaving little leeway to local actors to use local governments as platforms for reshaping the rules governing their relations (Loughlin 2001: 271). Historically, the national government has even substantively determined many of the internal rules of the statutes of agricultural cooperatives (Skylakaki *et al.* 2019:120-122,135). The pervasive influence of clientelism in Greek politics exacerbates the situation, with local governments frequently being “dominated by local magnates and operated in a clientelistic manner” (Loughlin 2001: 274). Similarly, agricultural cooperatives have functioned as “mechanisms for the consolidation of the state-oriented party system and the clientelistic state” (Efthymiou 2017: 16), and state institutions have been regarded by some as “apples of discord” whose capture gives to victors the opportunity to protect and materially reward their followers, rather than catering for local development more broadly (Diamandouros 1983: 46). The Greek public administration is also notoriously deficient when it comes to the production and dissemination of data and information (Doxiadis 2014: chapter 11), putting an additional onus on local actors who wish to embark on innovative collective entrepreneurial projects. The high frequency of major changes in national regulations about cooperatives undermines legal certainty, further impeding local long-term planning in the agri-food sector (Efthymiou 2017: 8; Skylakaki *et al.* 2019: 112).

In such settings, local economic actors can theoretically gain access to facilitative overarching institutions in three ways: through national-level reforms in sectoral governance frameworks, through the rules mandated by the EU or other “transnational integration regimes” that govern trade arrangements among countries (Bruszt and McDermott 2012), or through participation in private certification schemes. In this chapter, I focus primarily on the role of the EU’s sectoral governance arrangements in encouraging the supply of local-level cooperative institutions in a country whose

domestic institutional framework is generally not facilitative, but I also refer to a few specific features of the Greek national institutional framework that play an enabling role in the sectors of interest.

Studying how the daily operation of the EU's sectoral governance frameworks affects the prospects of cooperation among economic actors at the local level can improve our understanding of how EU policies affect economic development in fragmented economies. While the literatures on multi-level governance and Europeanization provide invaluable insights about the ways in which the EU has altered governance arrangements in current and candidate EU member-states, the outcome of interest in these literatures is typically the nature of the divergence from previous models of governance in itself and the empowerment of new subnational actors, rather than economic development and the facilitation of cooperation among economic actors to that end (e.g. see Featherstone 2003; Hooghe and Marks 2001; Goldsmith 2003; Loughlin 2001: 276; Piattoni 2010).

On the other hand, much of the literature on the EU's role in fostering reforms to improve domestic economic performance tends to focus on the impact of conditionality and of tying the domestic elites' hands either during the accession process or in the context of externally imposed reform during crisis, and not on the way the day-to-day policies of the EU reshape domestic governance arrangements (Bruszt and McDermott 2012: 747; for example, see Pagoulatos 2013; Featherstone 2003: 9). Bruszt and McDermott (2012) and Bruszt and Langbein's (2014) studies on how, under certain conditions, the EU's accession policies helped foster broad-based economic development in Central and Eastern Europe, constitute exceptions to this trend. Bruszt and McDermott (2012) argue that by emphasising domestic administrative capacity-building, designing assistance programmes in a way that promoted the forging of multiplex ties, and using monitoring as an occasion to engage in joint problem-solving, the EU's accession policies led to regulatory improvement and broad-based upgrading in Central and Eastern European countries. This result was not achieved in Mexico in the context of NAFTA, which "offers few if any provisions to aid weaker groups and firms to either organize more effectively or develop new capabilities and practices" (2012: 759). Bruszt and Langbein point out that EU accession policies generated stronger and more inclusive positive developmental effects in the dairy sector in Poland rather than in Romania, as the Polish dairy sector was better organized and utilised EU tools, and especially pre-accession funding, proactively. Instead, in Romania, the EU expended its energies creating "the basic elements of sectoral state organization", resulting in positive but

weaker developmental effects that benefited a narrower constituency (2014: 59-60). The present chapter seeks to make a contribution to this literature by analysing how the EU's day-to-day sectoral governance institutions in some cases empower local economic actors to reshape their relations and upgrade.

In particular, I use the concept of the facilitative political regime to analyse two sets of EU policies that are relevant to my case studies, the Common Agricultural Policy (CAP) and regional policy. Starting with the former, the CAP is often seen in political science – and even more so in public discourse – as little more than “a monument to economic irrationality” (Roederer-Rynning 2015: 197). Students of EU politics learn that the CAP is a protectionist and rent-allocating policy that is only perpetuated because it is designed “by an ‘iron triangle’ of agriculture ministers, agriculture officials in the Commission, and European-level farming interests”, all of whom have “a vested interest in defending the interests of the others”. In contrast, consumers and taxpayers have few incentives “to mobilize to attempt to break the iron triangle”, as each pays a small share of the CAP's cost (Hix and B. Høyland 2011: 227-228; see also Roederer-Rynning 2015: 202-205). Moreover, the CAP is widely considered to benefit principally large farmers, and not small farmers (Hix and B. Høyland 2011: 226; Knudsen 2009: 273; Gebrekidan *et al.* 2019).

While these views partially reflect the reality of the CAP, particularly before the adoption of a series of major reforms starting with the 1992 McSharry reform, the CAP also constitutes an interesting and understudied example of capitalist regulation that has profound effects for local development in rural areas. It does so not only through the transfer of resources, but also by reshaping local governance through its regulatory framework and methods of disbursing funds. As will be seen in the remaining sections of the chapter, when the CAP consisted mainly of a system of price support for agricultural products guaranteed through subsidies (Roederer-Rynning 2015: 199-201), the policy's effects for local-level cooperation among farmers were indeed deleterious. With a relatively high price being set and guaranteed by the public sector, there was little incentive for farmers to cooperate in order to upgrade their products. However, the reformed CAP seeks to promote its welfarist aim of ensuring “a fair standard of living for the agricultural community” to a large extent by promoting agricultural modernization and rural development rather than purely through income redistribution (Roederer-Rynning 2015: 206; Knudsen 2009: chapter 6). Given the importance of cooperation for upgrading in fragmented economies, several initiatives in the context of the reformed

CAP seek to foster productive synergies among actors in the agri-food sector. Moreover, many of the elements of the CAP that have survived successive reforms, such as the systems of Protected Designations of Origin and planting rights, also facilitate cooperation in competitive agricultural areas. Indeed, as observed by Xavier Itçaina and his co-authors in their fascinating study of the EU's 2008 wine reform, it was much easier to delegitimize and abolish the EU's system of distillation subsidies, given out to support producers who could not sell all their wine, than to move away from the system of planting rights, which requires growers to apply for the right to plant new vines and limits the kinds of vines that can be planted. This was precisely because planting rights constitute "a way of facilitating contracts and thus reducing transaction costs in the industry" (2016: 160). As a result, in contrast to distillation subsidies, planting rights were widely supported in upscale wine-producing regions.

Although regional policies are sometimes seen as mere side-payments for the acceptance of other policies by member-states at the EU's periphery (Moravcsik 1998: 367), political scientists are generally readier to recognise that the EU's regional policies also have a "classic normative redistributive goal", namely to reduce the economic disparities among European regions (Hix and B. Høyland 2011: 230). Even though there is a rich literature in economic geography and regional science assessing – primarily through quantitative methods – the extent to which the EU's regional policies achieve their developmental goal (e.g. Crescenzi *et al.*, 2017; Crescenzi *et al.* 2015), there is still considerable scope to study the extent and detailed mechanisms through which they achieve this aim by fostering synergies among diverse actors in fragmented rural economies.

Overall, in sectors that fall under the EU's competence, EU policies to some extent have the potential to compensate for the lack of a favourable institutional framework for cooperation at the national level. Using the concept of the facilitative political regime, in the remainder of the chapter I examine whether and how they played such a role in my case study areas.



## **5.2 The Common Agricultural Policy (CAP)'s regulatory framework and cooperation for upgrading in established agri-food sub-sectors**

### **5.2.1 Protected Designations of Origin (PDOs) as a facilitative institutional framework for the establishment and enforcement of local rules about quality**

During one of my first interviews for this project, winemaker Yannis Boutaris mentioned: “It is worth looking into is the role of the legislation on the designations of origin. There are areas like Goumenissa whose character changed when they became PDO. (...) The areas that are PDO change appearance” (interview #13). Indeed, the EU’s system of Protected Designations of Origin (PDO), which are labels that guarantee the authenticity of specific products linked to their geographical origin, to some extent has all the five characteristics of a facilitative political regime (see Box 4), and it is helpful for cooperation in fragmented economies particularly in terms of requiring local actors to define their own rules and set up monitoring and enforcement systems. Nevertheless, as an enabling institution, a PDO designation is not a guarantee of market success and upgrading; rather, it is a tool at the disposal of local actors to facilitate and maximize the impact of their own cooperative efforts. In other words, not *all* “areas that are PDO change appearance”, but only those where the PDO framework is used as an opportunity to credibly commit to following strict production rules that can catalyse upgrading, and where the local actors engage in collective marketing efforts to promote the local PDO products.

According to the EU’s PDO Regulation (2081/92), “only a group” is entitled to apply for a registration of a designation of origin (Council of the European Union 1992: 208/3). In order to do so, the group must agree on a “specification” with which the agricultural product will comply, which for the case of wine must minimally include, among other elements, the wine’s “principal analytical and organoleptic characteristics”; “the specific oenological practices used to make the wine or wines, as well as the relevant restrictions on making them”; “the demarcation of the geographical area concerned”; “the maximum yields per hectare”; and the type of grape varieties used to make the wine (European Parliament and Council of the European Union 2013: 347/720-721). This specification “can be considered as a minimum agreement between all the actors living from the product” (Chappuis and Sans 1999: 10). Moreover, the PDO regulation obliges member-states to ensure that “inspection structures are in place, the function of which shall be to ensure that agricultural products and foodstuffs bearing a protected name meet the requirements laid down in the specifications”. These inspection authorities must meet

EU standards and be accredited (Council of the European Union 1992: 208/5; Barjolle and Sylvander 2000: 30). In the case of wine, the inspection authorities must conduct annual verifications of compliance with the requirements of the PDO legislation, including “organoleptic and analytical testing” and “checking compliance with the other conditions set out in the product specification” (European Commission 2018: L9/56).

The President of Santorini’s wine cooperative summarised aptly the effects of this system on the organisation of the local wine sector: “The PDO is important for us because it guarantees authenticity and quality, but also because it requires that you are organised, that you have all those elements that we were lacking until then: the creation of institutions, services, rules” (interview #28). A PDO also “puts an area in order, because it has strict standards” (interview #13).

Crucially for the Greek context, those standards are not merely nominal, but they are also enforced:

“The PDO is important for quality, because there are better controls for PDO wines. At every stage, wineries have to be able to prove that they acquired grapes from specific vineyards employing specific cultivation methods. At the end of the year, when the wines are ready, an independent team conducts checks, chemical and organoleptic analyses, and blind tastings to see if the PDO specifications were followed.” (interview #30)

Indeed, while some Santorinian winemakers suspect that there is at least some degree of adulteration in Santorini’s table wines, which takes the form of mixing local grapes with cheaper, non-local ones, most are convinced that this type of cheating does not occur among PDO wines. This is not only due to aforementioned controls, but also because fraud would be easy to detect in a wine that must follow clear minimum standards: “I don’t think that anyone tampers with the PDO wines. The profile of Santorini is so special, that if someone cheats, it’s obvious on the product” (interview #33); “it would be as if you go to a triple jump race and do four steps” (interview #34). In contrast, when it comes to table wine, “we don’t play on equal terms. A hotelier who is taxed in Malta and one who is taxed in Greece don’t play on equal terms – it’s something similar” (interview #33).

The stakeholders whom I interviewed in Lemnos provided similar perspectives regarding the impact of the PDO regulation on the quality of Lemnian wines (interviews #80, #82). The locally based agronomist of the Agriculture Ministry described in detail the procedures that must be followed for a wine to be awarded the PDO certification. His

description is worth quoting at length because it shows how comprehensive the monitoring and enforcement mechanisms associated with the PDO system are:

“In order to give the PDO certification, a certain process is followed. When he delivers the grapes, the producer says from which vineyards they originated, so that traceability is retained. This is fundamental for quality, but also to ensure that non-vinifiable varieties are not vinified, and to prevent adulteration. The wineries check the quality of the grapes that are delivered, but sometimes we [i.e. the agronomists of the local branch of the Agriculture Ministry] also do checks through visits.

(...) When the wine is ready, each winemaker comes and tells us what quantity he would like to have recognised as PDO. At the first stage, we take samples, and we send them to the Centre for the Protection of Plants and Quality Control in Patra for the chemical analysis to be done. We check particular aspects of the wine, e.g. the acidity, which must be at specific levels for the wine to be PDO. (...) Secondly, another control is done by a committee of the Interprofessional Organisation of Vine and Wine, which is an organoleptic control.” (interview #84)

Thus, not only does the PDO system require multiple controls to ensure that the different kinds of rules in the PDO specification for Lemnos wines are adhered to, but it has also been accompanied by the creation of a whole administrative structure at the domestic level to implement those controls.

Importantly, the PDO system contributes to ensuring a level playing field among winemakers not only with regard to quality, but also with regard to tax compliance, as all grapes and wine that are given a PDO certification must also be accounted for in tax terms. As explained by the regional Director of the General Chemical Laboratory of the State, who was visiting the island for work during my fieldwork,

“The main reason why I am here at the moment is to check the tax warehouses of the Union and the Savvoglou winery for their production of *vin de liqueur*, which consists of grapes mixed with alcohol. When the mixing happens, we measure the quantity of the product, we check that the raw material is appropriate and hasn't rotten, that the sugars are as many as they should be. We then complete the mixing protocol, confirming that this many grapes were mixed with this much alcohol, so that we can certify the production of this much *vin de liqueur* PDO Lemnos sweet Muscat, according to the law.” (interview #82)

Given the deleterious effects of the non-implementation of the law and concomitant perception of cheating on mutual trust and conceptions of shared interest among economic actors (interview #71; see chapter 2), these implications of the PDO legislation for tax compliance are important for the prospects of the emergence of local-level cooperation.

As I discovered during my fieldwork in both Santorini and Lemnos, the inspection systems set up in the framework of EU legislation also perform another function of facilitative political regimes, namely information provision. In both cases, and particularly in Lemnos where the wine cooperative had a lower capacity to perform that role itself relative to Santorini, the agronomists of the Agriculture Ministry served as important contact points of grape producers who sought advice about cultivation techniques and other issues. Indeed, my interviews with the Ministry's agronomists in both Santorini and Lemnos were interrupted several times by producers coming in to ask questions. Indicatively, a worried Santorini producer entered the office asking: "It's not raining and I don't know if I should water my grapes. I am a young farmer and I feel totally directionless. I asked the elders of Santorini and they told me to leave my vines unwatered. Should I do that?" (interview #37). In turn, in Lemnos, a couple of local producers entered the agronomist's office asking whether they should trust a craftswoman who wanted to source inputs from them: "Why does she want to make us sign a contract? If she fails in her shop, or if her final products are not good, are we going to go to prison?" (interview #84). By looking over the proposed contract and providing reassurance that everything was in order, the agronomist encouraged cooperation in the agri-food sector in a way that went far beyond the implementation of EU legislation itself. Therefore, despite significant cuts in the capacity of these local offices of the Agriculture Ministry during the crisis (interviews #28, #37, #84), the presence of at least the personnel minimally required for conducting the controls stipulated by the Common Agricultural Policy has multiple types of positive implications for the local sector.

Finally, by providing a type of common label to local producers, PDO certifications to some extent also facilitate collective marketing activities. In the words of the Director of the Lemnos wine cooperative, "all certifications are forms of differentiation, and they help in today's competitive environment" (interview #78). Nevertheless, as many producers and cooperatives have learned through experience, a PDO certification alone can at best make a limited contribution in terms of marketing a product in upscale markets: brand recognition only comes about as a result of active and costly cooperative promotion efforts by the producers and wineries themselves. As argued in the previous chapters, such cooperative activities can only be supplied in places where they were previously absent through leadership. As mentioned by my interviewees in Santorini, "the PDO label helps because it says Santorini, not because it says PDO" (interview #37). Indeed, the lack of a widely recognised brand name for Lemnos's wines is one of the

crucial reasons why the Lemnos PDO wines are not as successful in the market, despite their high quality (interview #83). In that sense, evaluating the success of the PDO regulation in terms of whether having a PDO certification makes a difference for consumers' willingness to pay for a particular product (e.g. Fotopoulos and Krystallis 2002), misses the point that the PDO system can *facilitate* collective reputation-building efforts, but it cannot *substitute* them.

In fact, a PDO certification also does not guarantee that a specific protected agri-food product is upscale: whether the entry into the PDO system will catalyse upgrading in quality mostly depends on the content and strictness of the local rules that the involved actors decide to include in the PDO specification (Chappuis and Sans 1999: 10). According to my interviewees, acquiring PDO status in 2012 made little difference in the production methods of Chalkidiki's green olives:

“Nothing changed in the way we cultivate olives. The PDO designation just means that the olives are produced and processed in Chalkidiki. It was an initiative that the regional authorities took. Either way, few olives from here are exported as Chalkidiki PDO olives. Most are sent in bulk to Italy.”  
(interview #6)

Even though some consider that the European Commission ought to be more demanding in terms of requiring the adoption of strict, optimal production rules by applicant groups (Barjolle and Sylvander 2000: 28-30), in my view this would be hard for the Commission's small and distant bureaucracy to assess. Instead, the current enabling system has the benefit of being a widely and readily accessible tool at the disposal of local economic actors, who can decide how to best use it given their aspirations and the prevailing local conditions.

It is beyond the scope of this dissertation to examine the origins of the PDO system, and whether it was put in place consciously in order to facilitate cooperation among producers and agri-food firms in fragmented rural economies, or whether its facilitative character was a “by-product” of institutional decisions that followed a different logic (Schelkle 2017: 10). Nevertheless, in the context of this discussion, it is interesting to note that a system close to the current PDO model was first adopted in the French Champagne region in the early twentieth century, and was “uploaded” to the EU (Dyson 2017: 66) upon French insistence (Carter 2018: 487-490). It is doubtful whether without the export of this successful regulatory system from France via the EU, a facilitative regime of equivalent scope would be available in the Greek agri-food sector.

### 5.2.2 CAP subsidies as incentives for cooperation

The CAP's successive reforms have had important implications for the way in which the policy influences the prospects of cooperation among economic actors at the local level. Studying the minutes of the General Assembly meetings of Santorini's wine cooperative reveals that the CAP's old system of price support and subsidies to enable low-value uses of excess production that could not be sold otherwise, reinforced the grape producers' statist orientation and undermined the prospects of cooperation for upgrading. Characteristically, in the 1980s, Santorini's wine cooperative was highly reliant on the European Economic Community (EEC)'s distillation subsidies, and the producers sought to resolve their financial problems by asking the Commission to increase those subsidies:

“The Governing Board member X [anonymised], says that a telegram of complaint should be sent to the EEC because it put quantitative restrictions to preventive distillation and so it obstructs the sale of the wines even at a low price.” (Santo Wines General Assembly meeting minutes, Act 98, Jul. and Aug. 1984/ D5)

An interesting first indication of change occurred in the early 1990s, when the CAP's system of price guarantees started to be replaced with direct income support for farmers, proportionately to the size of their cultivation. Although this new “per *stremma* subsidy”<sup>14</sup> did not explicitly aim to promote cooperation in the agri-food sector, in Santorini it had the consequence of doing so as a result of the fact that it was disbursed to individual producers through the obligatory wine cooperative. By generating such a financial dependence among all local producers and the cooperative, the new subsidy gave the cooperative a tool that enabled it, for the first time, to enforce the General Assembly's decision to deduct a small contribution per kilo of Santorini grapes in order to finance the construction of the cooperative's new modern winery. Whereas in previous years, the cooperative had been unable to enforce that decision on producers who delivered grapes to private winemakers, from 1993 on it became possible to deduct the levy directly from the per *stremma* subsidy (Santo Wines General Assembly meeting minutes, Act 131, Apr. 1994/ D5).

More generally, many of the CAP's current subsidy schemes are addressed to groups rather than individual actors. They thereby provide a major incentive to economic actors to form producers' groups, producers' associations and interprofessional organisations and come up with their own sets of rules and entrepreneurial plans

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<sup>14</sup> 1 *stremma* is equal to 1000 square metres of land.

(Skylakaki *et al.* 2019: 89-95), fostering the formation of “multiplex ties” (Bruszt and McDermott 2012: 750) and performing the first two functions of a facilitative political regime listed in Box 4. This is widely recognised by actors on the ground. As explained by a Lemnian winemaker with regard to producers’ groups,

“The institution is being promoted – and has been promoted for many years – by the European Union, because it believes – and it’s correct – that producers must unite in teams, and that each shouldn’t operate separately. The producers’ group is governed by a particular legal framework, it has a statute, and each group has its own aims. (...) For the producers to be able to obtain some benefits that they are entitled to because they are in Lemnos, because it’s a PDO zone, because they cultivate certain varieties – they must be registered in a group, they must be organised.” (interview #80)

A similar logic applies with regard to the incentives provided by the CAP to foster cooperation among wineries:

“When the funding from [the CAP] came for promotion activities to third countries<sup>15</sup>, [US importer] Sofia Perpera said it’s a pity, Santorini is very important, make sure that you get organised, create a team with a contract – because there was no association [of Santorini wineries], there still isn’t. And that programme ran with that contract (...) We are still discussing that a formal association must be created. It’s important, because there will also be other funding programmes that will be easier to manage if such an association exists, both from the financial and the organizational point of view. The EU always, and especially as time goes by, prioritises and chooses team projects. The more collaborative they are, the better.” (interview #29)

Making the same point but more cynically, a Santorinian winemaker said,

“if you have to agree [with other winemakers] for someone to subsidise you, you will agree. Will we get 500,000 from the Greek state or a European programme to go [collectively] to America to present our wines? This is not bad, let’s agree. But if the 500,000 had been allocated separately to each winery, we’d say, what are you talking about? (...) We love each other when someone else pays.” (interview #33)

Nevertheless, even if the actors initially only join forces in order to benefit from a subsidy, their interaction through a collective project and the organisational capacities that they acquire in the process can dynamically open up new possibilities for cooperation in the future.

The type of subsidy discussed in the last quote not only encourages the formation of teams horizontally within the wine sector, but it also covers part of the upfront cost of

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<sup>15</sup> For more details about this programme in the context of the EU’s 2008 wine reform, see Itçaina *et al.* 2016: chapter 8.

cooperative activities such as joint marketing projects. Such subsidies thereby reduce in a direct way the extent of the obstacles to cooperation, performing the fourth function of facilitative political regimes as described in Box 4 (Vlahos *et al.* 2016: 6/ S7; Theodorakopoulou and Iliopoulos 2012: 34). The same can be said of subsidies to invest in physical infrastructure for upgrading, such as the Santorini wine cooperative's new modern winery in the early 1990s, which was subsidised by the EEC – “and we have participated in at least another three programmes since” (interview #36). The CAP also provides subsidies to producers to reduce the upfront costs of quality upgrading, particularly through its vineyard restructuring programme and its subsidies for transition to organic agriculture (Santo Wines General Assembly meeting minutes, Act 149, Jul. 2000/ D5; Venizelou 2015: 133-134/ S5; interview #84). Some collective activities – particularly joint marketing projects – are also supported through national-level initiatives spearheaded by one of Greece's most active interprofessional organisations, the National Interprofessional Organization of Vine and Wine (EDOAO) (interviews #29, #71).

Nevertheless, similarly to the PDO system, the CAP's subsidies *facilitate* cooperation for upgrading, but cannot *guarantee* that it will take place. This is firstly because all the subsidies for joint investment projects require co-financing, which is typically hard to provide collectively in the absence of leadership. In Lemnos, this constitutes a major obstacle for utilising EU funding programmes:

“There are such programmes. Programmes that are subsidised by the state, right? To modernise the factory, to promote your products, in Greece as well as abroad. But in all this, there is the own contribution. The subsidy is not 100%, you understand? So this own contribution is missing.” (interview #83; similar comments made in interview #78)

Secondly, like all systems of incentives, CAP subsidies are subject to being used for extracting a short-term financial benefit, while only paying lip-service to the requirements to form teams, specify rules and draw up long-term entrepreneurial plans. In such cases, the cooperative activities that are subsidised do not become self-sustaining, but dwindle when the subsidy programme runs out. For example, if a local group of producers decided to transition to organic agriculture mainly in order to receive, “apart from the normal subsidy, also the organic one” (interview #83), rather than to facilitate the execution of a novel collective entrepreneurial idea, then it's not a surprise if the effort collapses when the subsidies run out. For sustainable cooperation for upgrading to be observed, CAP subsidies (and similar national-level initiatives) need to co-exist with conscious and



costly local-level efforts to that end. As was argued in the previous two chapters, the emergence of such local-level collective efforts in places where they were previously lacking requires leadership by a small group of boundary-spanning actors.

### 5.2.3 Planting rights, land use plans and the delineation of the boundaries of the local group

Both the PDO system and the CAP's subsidy system facilitate in their own way the delineation of the boundaries of the group of relevant local actors, which is the fifth function of facilitative political regimes as listed in Box 4. The former does so by requiring "the demarcation of the geographical area concerned" as part of the local PDO specification document (European Parliament and Council of the European Union 2013: 347/720-721), and the latter by incentivising actors to join one or more formal associations.

In the wine sector, the CAP's system of planting rights contributes further to the delimitation of boundaries by slowing down the rate of new entrants, who are required to apply for the right to plant new vines, and more crucially, by limiting what varieties new entrants can plant, thereby stopping them from undermining existing actors' cooperative efforts for quality upgrading by planting different, higher-yield varieties. As an oenologist in Santorini explains,

"Only a couple of aspects of agricultural legislation make a difference today. The first and most important one is that you cannot bring other varieties of grapes to plant in Santorini. (...) This decreases the cases of adulteration, where the *assyrtiko* variety is mixed with another variety that is cheaper." (interview #34)

On the other hand, the limitations associated with the planting rights system also inhibit the scaling of Santorini's highly successful vineyard, exacerbating the distributional conflict for inputs that complicates cooperative efforts among winemakers: "the planting rights system makes it very difficult for us to get permits for new cultivations. (...) If the system was more open, this would be very good for Santorini" (interview #30). This shows that the main benefit of the planting rights system for cooperation is not so much that it reduces the size of the sector, which does help deter the entry of all actors including opportunistic ones, but it also prevents the scaling of successful cooperative efforts. Instead, planting rights facilitate the emergence of cooperation principally because they compel new entrants to abide by a set of rules previously determined by the locals in order to enable upgrading, thus preventing opportunists from entering the sector and benefiting

from the collective reputation that previous actors had invested in creating, while planting lower-quality, higher-yield varieties and eventually damaging the reputation of local wine.

Even though the regulatory framework of the CAP constrains new entrants within the agri-food sector from undermining ongoing cooperative efforts by existing stakeholders, those efforts can also be threatened by new entrants from different industries, which are regulated at the domestic level. This is the case in Santorini, where actors in the wine sector have struggled to prevent the conversion of the island's vineyards into touristic accommodation facilities (see chapter 3, section 2.5). Many local stakeholders agree that the most appropriate institutional solution to the problem would be to adopt a land use plan for the island, something that falls under the competence of the national government. However, successive Greek governments have so far been reluctant to implement such a policy, for fear of the political cost (interviews #28, #34, #35). Given the absence of a land use plan in Santorini, the principal way in which the problem has been addressed over time is by giving to producers very high prices for the grapes ("Burgundy prices"; interview #35). Two policy measures have also contributed to slowing down the conversion of vineyards into built areas. The first was a CAP agri-environmental subsidy that was given out in the 2000s to incentivise farmers to maintain the agricultural landscape (interviews #28), and the second was a 2012 national law (the so-called "Sifounakis law"), which prohibited building on fields that were formally declared as active vineyards (interviews #28, #33, #34). While these measures did provide a "minimal protection" to Santorini's vineyard (interviews #34, #35), only a land use plan with a delimitation of agricultural and residential zones can provide comprehensive solution to the problem (interview #36, #71). However, the adoption of a land use plan requires that the national authorities take decisive action based on consultation with a range of stakeholders and a well-thought-out plan, something that successive Greek governments have been unwilling or unable to do, satisficing instead with the perpetuation of a suboptimal status quo.

#### 5.2.4 Contract farming as a national-level enabling institution for vertical cooperation in agri-food supply chains

During the last decade, a national-level institutional framework – namely contract farming – did in some cases facilitate the resolution of hold-up problems among producers and processors in agri-food supply chains. Contract farming is a system that

originates from the French poultry market (Skylakaki *et al.* 2019:143), and was launched in Greece in the first half of the 2010s by Peiraeus Bank, a private-sector bank which acquired the bankrupt Greek Agricultural Bank (ATE) during the early stages of the Eurozone crisis. Whereas, as seen in the previous chapter, ATE's traditional practice of overlending to agricultural cooperatives proved to be deleterious to cooperation for upgrading as it fuelled clientelistic relations and offered an easy alternative path to prosperity, through its contract farming programme, Peiraeus Bank makes it easier for processors and producers to agree on upgrading cultivation standards. It does so firstly by enabling the payment of the producers at the agreed price upon delivery rather than after the sale of the final product months later, which can reinforce the producers' confidence that their efforts to upgrade quality will be rewarded. Secondly, the bank acts as a third-party enforcer of the producers and processors' written agreement about the quality standards to be followed and the obligations of each party, providing reassurance outside the framework of the ineffective Greek court system that the terms of the contract will be adhered to. As explained by an employee at the Bläuel olive oil firm, which has entered the programme,

“The aim of Contract Farming is to buy inputs in a way that improves quality. After a private contract is signed between the firm, the producer and the bank, which describes the quantity and approximate price of the transaction, the bank pays the producer directly. The contract is binding, though we retain the right to turn down the olive oil if in the end it doesn't meet the specifications – but we can't replace the producer with someone else.” (interview #2).

As a result, while the merchants ensure that they will have the quantity and quality of inputs that they require, the producers ensure that they will be paid the agreed price, on time (interviews #5, #86).

Similarly to the other institutional frameworks examined so far, contract farming cannot be considered as a panacea, but is a tool that can be useful only in conjunction with (rather than as a replacement of) local-level cooperative efforts and therefore local-level leadership. In Chalkidiki's table olive sector, which is characterised by tight-throat competition based on price and a low degree of cooperation, contract farming may not appear as

“the best solution for the merchant. For instance, [company X] will be charged for the working capital from which the producer will be paid from September on [when the olives are delivered]. Whereas if the producer is paid at Easter, the merchant won't pay interest on the delay.” (interview #6)

Entering the contract farming programme minimally requires that processors have an interest to upgrade quality, while using the programme successfully in order to improve cultivation techniques can also be greatly facilitated if the producers engage in some form of cooperation and thereby have a degree of bargaining power (Skylakaki *et al.* 2019:143-149). This helps avoid practices such as “leaving the box about the minimum price empty in the contract” (interview #5), which undermine the reciprocal character of the parties’ contractual commitments. As was seen in Chapter 2, such bargaining power is typically itself the result of previous cooperation, which, to an extent paradoxically, is often initiated by final firms that assume the role of leading actors.

On the other hand, in the presence of the type of leadership analysed in the previous two chapters, contract farming can help actors achieve productive synergies. Unlike the rest of the facilitative institutions analysed so far, contract farming is a national-level institutional framework, whose design and implementation is spearheaded by a private-sector bank. Its relation with the EU is only indirect, and has to do with the restructuring of the Agricultural Bank in the context of Greece’s memorandum obligations during the Eurozone crisis.

### **5.3 EU policies, obligatory cooperatives and the emergence of cooperation for the creation of innovative agri-food products**

#### **5.3.1 The impact of PDO regulations and EU subsidies in the *mastiha* and saffron sectors**

Perhaps unsurprisingly, the Common Agricultural Policy’s regulatory framework is a lot more detailed in terms of the tools for upgrading that it puts at the disposal of economic actors operating in established agri-food sub-sectors, than when it comes to unique products like *mastiha* and saffron, where the challenge is to create new markets. The CAP still plays a facilitative role in the latter case, but its impact is more limited than it is in more established sub-sectors, and particularly in the wine sector, which “in Greece is governed by as much legislation as all other agricultural products together” (interview #37).

Both *mastiha* and saffron have Protected Designations of Origin. The PDO label is potentially useful for two reasons in Chios and Kozani. The first one is that it clearly delimits the geographical boundaries of the groups of Chios *mastiha* and Kozani saffron producers, helping the local actors safeguard potentially successful innovative products from imitation by outsiders. Indeed, given the recent success of Chios *mastiha*, this function of protecting the local brand has become quite important for the island:

“When you make *mastiha* products, the *mastiha* must come from us. Provided that you use *mastiha*, we have the right and are mandated by the PDO regime to trace it in the good that you produce. In other words, if you make *loukoumia* [a traditional sweet] and you buy a kilo of *mastiha* from us, the *loukoumia* that you produce must correspond quantitatively to the 1kg of *mastiha*. (...) The guarantor of the PDO designation is the cooperative, not the EU.” (interview #63; a similar comment was made in interview #59)

The clear definition of Chios *mastiha* PDO as a product from the island of Chios has protectionist implications, but in terms of its effects on cooperation, it is particularly important because it helps local actors safeguard their reputation against *lower-quality* imitations from outside actors, which could tarnish the reputation of “Chios *mastiha*” altogether.

Secondly, as explained in an information leaflet produced by Kozani’s saffron cooperative for its producer-members, the PDO designation can also assist in collective marketing efforts:

“In the past, all our product got exported anonymously, in bulk, and the final consumer knew nothing about its origin. Now, following the acquisition of the PDO certification, it is established in the international markets as ‘Kozani saffron’, something that gives it prestige and generates benefits for our entire area.” (“Annual report 2000”/ D3).

On the other hand, given the obligatory nature of the *mastiha* and saffron cooperatives and their monopsony over raw *mastiha* and saffron, the PDO designation does not play as important a role in terms of fostering upgrading horizontally across the sector as it did in the case of wine: as the sole buyers of primary inputs, it is the two cooperatives who have the potential to play the role of quality regulators and enforcers in the Chios *mastiha* and Kozani saffron cases. Moreover, operating in sectors where territorial origin is not as important as in the wine sector, both cooperatives have sought to complement the PDO label with additional quality certifications in order to be competitive in global markets. As explained by the former President of the saffron cooperative, “we were one of only 30 companies in Greece to have ISO [the International Standards Organisation standard “ISO-9002”] in 1994, if I remember well. In Western Macedonia we were the only ones, nobody else had it. People didn’t know what it was” (interview #53). The Chios cooperative has continued along this track a lot more actively during the last two decades, acquiring a number of ISO, Hazard Analysis and Critical Control Points (HACCP) and British Retail Consortium (BRC) certifications, and succeeding to register *mastiha* in the inventory of the European Medicines Agency

(interview #59). Even though such standards impose a set of uniform quality rules and are thereby not characterised by the element of local agency that is an attribute of the PDO system, “strategically, those standards are important, because they give you prestige and power” (interview #62).

The CAP’s system of subsidies is also not as well-targeted when it comes to rare and innovative agri-food products than it is in the case of wine. As mentioned by the CEO of the Concepts SA company, which spearheaded the production of *mastiha* liquor, EU funding is generally aimed at manufacturers rather than brand owners, while the funding programmes for marketing subsidise participation in exhibitions – but “we live in an era where exhibitions don’t help, business is not done through exhibitions” (interview #65). Indeed, according to the CEO of the *mastiha* cooperative’s subsidiary company, “at the start we received no support whatsoever from national or EU policies: we were entirely self-funded. Especially if we talk about the *MastihaShop*, this was made with the money of the cooperative, then some shareholders came in, then some more, and we progressed” (interview #58). On the other hand,

“to be fair, I would say the following: whenever the cooperative needed money for scientific research or marketing, and whenever it made [funding] proposals [to the EU], I would say that as a rule it has gotten the money. (...) [Also,] when the cooperative makes productive investments in things like factories, it receives funding from the EU, like every other Greek manufacturing company.” (interview #58)

Kozani’s saffron cooperative also received EU funding for investments in physical infrastructure, promotion and training (interviews #53, #55; “LEADER II examples”/D4). Furthermore, in Chios, the *mastiha* cooperative successfully applied to obtain from the EU a form of income support for *mastiha* producers, something that was in part possible due to *mastiha*’s PDO status, in line with the CAP’s favourable attitude towards collective efforts (interview #63). This subsidy facilitates cooperation in the sector, as it decreases the incentives of producers to sell *mastiha* through the black market (interviews #59, #63).

Finally, even if far from all EU funds are spent in a productive way, let alone in a way that promotes cooperation for upgrading, the local discussion in Kozani about the mismanagement surrounding the so-called “Local Fund” demonstrates the importance in the Greek context of having in place the EU’s system of controls for the spending of agricultural and regional funds. The “Local Fund” was given to the Kozani region by the

Greek national government to promote local development as compensation for the pollution generated by the lignite mines. According to a local newspaper,

“the 1997 local development fund has become a tool for petty politics and patronage at the hands of the regional and, secondarily, the local authorities. (...) Most recently, a long series of over 100 [sports and cultural] associations and organisations received various funds, following the intermediation of mayors and local officials and patrons, usually with unknown funding criteria. (...) In no place does the relevant Ministerial Decision 22-7-97 foresee subsidising associations, and doing so is therefore illegal.” (*Kiriakatikos Chronos*, 21/5/2000, 2919: 7/ N1).

Almost twenty years later, a local agri-food entrepreneur has the exact same complaint: “this money should support the local economy, but every year they find something else to do with it – last year they funded all the local associations, they said” (interview #57). The following remarkable response of a Regional Governor of Kozani to allegations of corruption in the disbursement of the local fund is telling of the mentality of clientelism that permeated many Greek state institutions:

“You are asking whether the Regional Governor played a game of 200-300 million drachmas with those funds, which in total came up to 2-2.5 billion drachmas. Well, these things are details, and it is naïve to bring them up in evaluating the programme.” (*Kiriakatikos Chronos*, 21/5/2000, 2919: 7/ N1)

In such a context, having in place even the imperfect mechanisms of control designed by the EU and implemented by a range of local stakeholders in the context of disbursing EU subsidies, appears like a significant asset that substantially increases the chance that policies for local economic development will have a positive impact.

### 5.3.2 Obligatory cooperatives: assets or liabilities?

Beyond the CAP’s policy framework, an institution that is permitted by the Greek legal system and that is in fact being challenged by the European Commission, namely the institution of obligatory cooperatives, also has obvious relevance for this discussion. While cooperatives are typically understood as “association[s] of persons united voluntarily to meet their common economic, social and cultural needs” (Vakoufaris *et al.* 2007: 777), in obligatory cooperatives the entry and participation of producers of a particular agricultural good in a particular area is compulsory. Obligatory cooperatives were first permitted in Greece in the 1930s (Theodorakopoulou and Iliopoulos 2012: 31) and were created usually upon the initiative of local actors in order to more effectively counterbalance the bargaining power of merchants (e.g. regarding the case of Chios, see

Tsouhli 2011: 120/ S2). At the moment there are four obligatory cooperatives in Greece: the Chios *mastiha* cooperative, the Kozani saffron cooperative, and the wine cooperatives of Samos and Santorini. Following a lawsuit initiated in 2007 by a private winery in Samos and a request by the European Commission to the Greek authorities in 2013 to allow private wineries to produce and market their own Samos PDO wine, the future of the principle of obligatoriness in these four areas is in question (Venizelou 2015: 10-19/ S5; Iliopoulos and Theodorakopoulou 2014: 664/ S6).

On the one hand, obligatory cooperatives satisfy some of the criteria associated with facilitative political regimes, as they create an arena for discussion among producers and they are well-placed to provide information, technical assistance and other club goods horizontally across the sector, as well as to enforce local rules about production standards. In the words of the CEO of the *mastiha* cooperative's subsidiary,

“The restructuring of the cooperative [in the early 2000s] included a pledge of funds for research and development, and for promotion and communication. Large amounts of funds. If the cooperative wasn't obligatory, why would it decide to invest money to research and develop the attributes of *mastiha*? (...) The fact that it was an institution that concentrated all the [concerned] economic interests, meant that it could say, since I, as a legal entity, and my members, are the sole beneficiaries, then yes, I will do a campaign for *mastiha*, using my own funds.” (interview #58)

Indeed, as was seen in chapter 3, in Chios even private agri-food firms believe that “the obligatoriness of the cooperative is created with a certain wisdom”, as they consider that it provides a guarantee that raw *mastiha* will continue to be of high quality, encouraging private firms to invest in *mastiha* products (interview #65).

On the other hand, as monopsonists, obligatory cooperatives may also suffer from inertia, stifle competition, and hold back the development of the local sector. From the perspective of the concept of facilitative political regimes, a problem of the institution is that though it creates an inclusive arena for discussion among local producers (who are all compelled to be members of the obligatory cooperatives), it also creates the risk of antagonising and excluding private firms from efforts to develop the sector (as long as they do not produce raw inputs but only process and sell final products to the market, local private firms are not members of the obligatory cooperatives). As was seen in the previous chapters, to some extent this seems to be happening in Kozani, where obligatoriness is defended by the saffron cooperative's management based on the argument that “we can achieve better prices and avoid exploitation” (interview #55), but



is resented by private firms, which wish that “someone will be found who will break up the obligatory cooperative through a lawsuit” (interview #52). Once again, we observe that the same overarching institution, in this case a legal framework that permits the operation of obligatory cooperatives, generates very different outcomes depending on local conditions.

Overall, it seems difficult to sustain that an institutionalisation of local monopsonies is generally positive for local economic development. On the other hand, it is also difficult to ignore that “some of the most successful cooperatives in Greece belong to the group of obligatory cooperatives” (Theodorakopoulou and Iliopoulos 2012: 34). Reflecting on the cases of Chios and Santorini, which are the two most successful areas with obligatory cooperatives, a key ingredient for success seems to be the enlistment of private firms as allies rather than competitors. This happened in Chios by providing a range of club goods to private firms, including ideas for innovative products, marketing for *mastiha* products, and strict controls to maintain the quality and credibility of raw *mastiha*. In Santorini, the obligatory wine cooperative made its peace with the private wineries by voluntarily giving up in practice its right to collect a particular share of the grape production of all local winemakers, as it simply did not enforce this rule (Venizelou 2015: 112/ S5). Based on these observations, a rule that could suit the Greek context would be to permit the creation of obligatory associations of local producers, which would be able to levy a compulsory membership fee on local actors, but not impose a local monopsony. Such a framework would permit the adoption of similar legislation as that obtained by the *Chianti* wine consortium in 2012 in Italy, which required “the entire sector marketing *Chianti* wine, including those who were not members of the *Chianti* consortium, (...) to pay a share of the cost of the marketing undertaken by the consortium” (Itçaina *et al.* 2016:174). Though it would be neither possible nor appropriate (given the diversity of the member-states’ economies) for the EU to enable the creation of obligatory associations within the framework of the CAP, this seems like a proposal that would be worth considering at the national level by countries with fragmented rural economies, interested in fostering cooperation for upgrading.

## 5.4 Rural development policies and the emergence of cooperation in the alternative tourism sector

### 5.4.1 EU rural development programmes

In some ways, the EU's rural development programmes, which date back to the adoption of the first Integrated Mediterranean Programme in 1983, also foster local-level cooperation and networking among a range of stakeholders. Indeed,

“rather than simply giving national governments what were effectively blank cheques to support nationally determined initiatives, the post-1989 use of [EU structural] funds required proposals to come forward on the basis of an agreed strategy between national governments and the eligible regions, and at the regional level the funds also required partnerships between the public and private sectors along with the voluntary sector where appropriate.” (Goldsmith 2003: 122)

The participatory, bottom-up approach became the hallmark of the EU's LEADER programme, which started to be implemented in 1991 in the framework of the EU's renewed commitment to structural policies for rural development (Knudsen 2009: 285-286), and emphasised the agency of local actors in the design and implementation of rural development policies (Mimi 2013: 21-22/ S11).

There is some evidence from my fieldwork that EU structural and LEADER funding schemes did empower local communities to define their own plans for economic development, both through the conduct of the studies that were necessary to submit EU funding applications, and through the role played by the regional development companies that often undertook the task of managing the EU funds. Indeed, a number of important leading actors in my case study areas, including the CEO of the Chios *mastiha* cooperative's subsidiary company and the former President of Kozani's saffron cooperative Emmanouil Patsilias, had worked at the local development companies before taking on a leadership role in their local sectors. As Patsilias explains, having worked at the Kozani Development Company “helped me a lot, because I knew that some things can be done, and some things cannot be done. And for those that can be done, I knew what the steps were” (interview #53).

On the other hand, the extent to which the EU's rural development programmes encouraged local communities to define their own path towards economic development was limited by the fact that the participatory element of the policies was not always implemented rigorously (Mimi 2013: 26-28/ S11). Moreover, these policies never included a requirement to adopt a set of local rules to underpin the synergies among local

actors, as the concept of facilitative political regimes would stipulate. The Kozani press provided a good assessment of the impact of the LEADER programme in the area when it mentioned that the programme “gave a lease of life to mountainous, isolated areas” and “opportunities to some businessmen”, but

“there is still a lot to be done. Above all, a comprehensive set of actions needs to be developed, so that whichever works [are done] don’t function in an isolated way. For instance, it’s not enough to do mountainous hotels, if there isn’t a comprehensive plan for touristic development, education and information of the labour force, systematic promotion of the natural beauty *etcetera.*” (*Kiriakatikos Chronos*, 29/7/2001, 3215: 1/ N1)

Indeed, during my fieldwork I encountered several examples of LEADER-funded projects that were oriented at best towards individual rather than community upgrading, and at worst had no developmental value at all. In the region of Florina, where Nymphaio belongs administratively, the LEADER+ programme (2000-2006) funded mostly individual businesses, such as hotels, bakeries, restaurants and a spa centre, and to a lesser extent team projects or projects with a public-good character such as tourism information centres (Tsalkou 2007: 33-36/ S14). In the neighbouring village of Nymphaio, Limnochori, one of the first things a visitor sees is a LEADER-funded abandoned building right in front of the village’s lake, which was supposed to function as a market, but was abandoned and has become an eye-sore that blocks the view from the village’s (also LEADER-funded) coffeeshop.

To take an even more extreme case, in one of my case study areas, a long-standing member of an agricultural cooperative’s management board told me the story of how the cooperative had received 20 million drachmas from a LEADER programme to purchase packaging equipment that was not even used once:

“-[Me:] So how did you get the money for the machines?

-[Interviewee:] They told us, buy them and put them in storage. Use this supplier. LEADER itself searched for us and found us through the cooperative. They saw that this cooperative existed, they came in contact, and they told us, take the money before the programme closes, because in the future it may not exist. (...) In twenty years, we didn’t package a single kilo of [X] with those machines.” (anonymised interview)

In other words, in the absence of rigorous monitoring mechanisms to ensure that LEADER funds were spent in a productive and team-oriented way to serve genuine locally defined needs, in many occasions the LEADER programme did not reach its developmental potential.

While LEADER performed the second function of facilitative political regimes (namely to encourage local communities to define their own vision and rules) only to a limited extent, in the presence of local leadership for upgrading, the funding programme was very effective in terms of subsidising the upfront costs of cooperative efforts (fourth function of facilitative political regimes). Indeed, “the [Nymphaio] commune utilised in a creative way the rich development programs of the European Union” (“Nymphaio: Fair-tale with a name”/ D7). LEADER and structural funds were used to co-finance a series of major projects in the village, including the expansion of the facilities of the Arktouros brown bear sanctuary, the creation of the silversmithing museum, the construction of the communal hotel and communal horse stable, the creation of a nature park and an artificial lake, the signposting of hiking paths, and the restoration of the traditional cobbled paths (Kalfas 2007: 124-130/ S15; interviews #14, #16).

Some EU-funded projects were also implemented in Ambelakia (e.g. see “Centre of Cultural Heritage of Ambelakia” leaflet/ D11), but according to local stakeholders,

“surely there was a potential to do absorb much bigger funds, because there are important structures that could be restored, mansions which are registered as historic buildings, in other words theoretically it should have been an easy case given the importance of the work, to absorb these funds.” (interview #49)

In the absence of local leadership to give impetus to the compilation of the required funding applications and to identify co-financing sources, the stakeholders of Ambelakia were not able to utilise EU rural development programmes to subsidise the upfront costs of collective efforts in the same way that their counterparts in Nymphaio did (Papadimitriou 2012: 83).

#### 5.4.2 The failure of a national-level, top-down rural development approach in Ambelakia

Even though the EU’s rural development policies could be designed better as facilitative political regimes for local-level cooperation, the comparison of the development of the alternative tourism sector in Nymphaio and Ambelakia shows that by providing tools to local public- and private-sector actors to implement their vision, EU rural development programmes still had a higher chance of success than an alternative, purely top-down approach that was tried by the Greek national government in Ambelakia.

In Ambelakia, the first attempt to promote touristic development “was led by the then General Secretariat for Equality, in 1980-1985” (interview #47). The idea was for the state to create a women’s agritourism cooperative in the village, subsidise the

conversion of some rooms in the members' homes into guest rooms, improve the "technical infrastructure of the village (telephone, water, road etc.)", and thereby not only develop "mild tourism" in Ambelakia, but also create a paradigm for "economic and social development" that could apply in "other agricultural areas" (Chrissanthi Laiou-Antoniou, "First conference of Ambelakiot Studies" proceedings 1994: 80-82/ D12).

Despite the undeniably positive intentions of the programme, the policymakers and local actors involved soon discovered that merely introducing a vision about development from above and providing funding were not sufficient for mobilising the local capacities and resources that were necessary to make the plan take off, as top-down policy cannot substitute the institutional work conducted by leading actors in areas that shift from a low- to a high-cooperation equilibrium. Indeed, the women's cooperative "didn't renew itself, as its members either died or became too old to engage in such activities" (interview #47). An observer of the project reflected:

"Is the resident of Ambelakia appropriately prepared to accept to abandon his work as a farmer, animal-herder or small professional, and become a hotelier or a restaurant owner or to be employed in reception, accommodation and restaurant facilities of any category or kind, without a basic pre-existing professional education or training? The example of the Women's Agritourist Cooperative which operates from 1985 to today, provides an answer that it not completely certain. (...) There is an issue of how to encourage and urge the local residents, and how to attract back those who have moved elsewhere, to undertake substantial initiatives for entrepreneurial touristic activities." (Chrissanthi Laiou-Antoniou, "First conference of Ambelakiot Studies" proceedings 1994: 85/ D12)

In contrast, in Nymphaio, where the vision of "mild tourism" was instead introduced by two local leading actors, an entrepreneur and the President of the local commune, the incentive structure and professional composition of the village residents was gradually transformed (see chapter 3, section 4.2). This comparison suggests that a policy which facilitates actors who have a stake in the local economy and society to catalyse development has higher chances of success than a purely top-down policy that doesn't involve any local actor in policy design and any local entrepreneur in policy implementation.

#### 5.4.3 Architectural protection legislation as a mechanism of adopting a locally applicable set of rules

While the EU's rural development programmes did provide some incentives for local stakeholders to collectively define their own vision about local development, they

didn't include any scheme to encourage those stakeholders to collectively determine the rules of their cooperation in order to avoid opportunistic behaviour. Here, the national-level institutional framework for the protection of traditional architectural settlements to an extent complemented the EU's subsidy schemes by introducing a set of locally applicable architectural rules (see also Healy 1994: 604). In Nymphaio, those rules played an important role in terms of facilitating cooperation to showcase the village's traditional character: "the settlement is protected, so one can't build whatever one wants. The houses are protected by the state" (interview #15; similar remarks were made in interviews #13, #14, #16). While the content of the architectural rules determined by the protection legislation is not determined by locals as the second characteristic of facilitative political regimes requires, in the case of Nymphaio it was local actors who lobbied the state to implement the legislation in the village in 1978 (interviews #13, #16).

On the other hand, in the same way that architectural protection regulations may usefully complement rural development programmes, the availability of rural development programmes, as well as of local-level leadership to utilise them, are themselves necessary complements of architectural protection regulations. As mentioned by Valaoras in connection to environmental rules, costly protective legislation is unlikely to be implemented effectively if it is not linked with a way for local actors to generate an income, something that in the case that Valaoras studied was accomplished with the attraction of a range of EU funds for the development of ecotourism (2000: 79-81). Indeed, Ambelakia is also an architecturally protected settlement, but in the absence of local-level leadership to attract resources for costly renovations in line with the architectural rules, the protective legislation is mainly considered a burden imposed on the locals by distant and uncaring state (interview #47).

## **5.5 The Greek sectoral institutional framework as a further obstacle to cooperation in the mass tourism sector**

### **5.5.1 Low barriers to entry and the difficulty of defining local rules**

In the agri-food sector and to a lesser extent in the alternative tourism sector, an overarching sectoral institutional framework that is mostly provided by the EU provides tools and incentives for local actors to define their own plans and rules for cooperation, and to monitor their implementation. This is not the case in the mass tourism sector, which mostly falls outside the scope of the EU's competence. Indeed, the sectoral governance

framework in the mass tourism sector is unsuited to facilitate cooperation for upgrading among small firms.

Reaching a local-level agreement about upgrading quality, providing public goods to lengthen the season, and limiting overtourism are difficult to achieve firstly because the boundaries of the relevant group of economic actors are constantly shifting. This is so particularly in the context of the “liberalization of short-term rentals, which means that whoever owns a flat can rent it out to tourists” (interview #21). Indeed, according to the President of the Chalkidiki Hotel Association, in 2017 when our interview was conducted, the Greek state had not even put in place a functioning system through which home owners could declare income obtained from short-term rentals to the tax authorities, meaning that the short-term rental sector was not only exceptionally unregulated for European standards, but it was also mostly untaxed and thereby indirectly subsidised by the state (interview #24). Given the number of actors involved in the short-term rental sector and the complexity of identifying them in the absence of a sufficiently developed regulatory framework, it was nearly impossible to conduct deliberations including the full range of actors involved in the local-level accommodation sector.

These difficulties are aggravated by the lack of a generalised spatial plan in Greece, which would determine land uses across the country, limiting residential and tourism zones to certain areas and thereby imposing some basic rules about how new entrants are allowed to build and operate in each area. In particular, throughout Greece and particularly in mass tourism destinations like Chalkidiki and Santorini, unregulated construction outside areas covered by the urban plan (*ektos shediou*) has been occurring since the onset of mass tourism in the 1960s and 1970s. In Chalkidiki, “arbitrary construction had become endemic” in the 1980s, “a situation that worsened after 1995, when credit facilities made possible the acquisition of a second house and multiple cars for every single family with an average income” (Gounaris 2015: 30/ S16). Around the same time, the local press in Santorini attributed “the degradation of the built area in some places, such as Perissa, mainly [to] the inexistence of regulatory and spatial planning” (*Thiraïka Nea*, May 1993, 419/ N4). Nearly three decades later, the local stakeholders who are concerned with the upgrading of the tourism sector and the limitation of overtourism in Santorini, are still asking the state to impose a temporary freeze on permits for construction outside the urban plan and to adopt a comprehensive spatial plan for the island (interview #78; intervention of Santorini’s Mayor Nikos Zorzos in Vatopoulos *et*

*al.* 2018). As an anonymous interviewee mentioned, “I didn’t want to say it so starkly earlier, but the situation here is a total mess – we don’t even have defined land uses”.

In turn, the fact that the adoption of any decision to place limitations on new constructions in Santorini requires a ministerial initiative from the central government is indicative of a hyper-centralised overarching institutional framework, which doesn’t allow local actors to take important decisions about their area (Tsoulidou makes a similar point about the hyper-centralisation of responsibility about coastal management in Greece; 2013: 42/ S27). This lack of authority to create rules which suit local conditions and needs concerns not only local governments, but also local collective associations of economic actors. Konstantinidis, one of the pioneering entrepreneurs in Santorini’s tourism sector, explained this point very well:

“– [Me:] In order to increase the representativeness of local collective associations, is the solution to make participation obligatory?

– [Interviewee:] I don’t think that obligatory participation is the solution. But what *is* a solution is to create an institutional framework where participation becomes obligatory indirectly.

“– [Me:] How?

– [Interviewee:] For example, if we have an evaluation system [for local businesses], the evaluator should be the collective institution. In other words, if we transfer a series of responsibilities to the institution, we will oblige people to be part of the institution. But we don’t do this, because we want to maintain the clientelistic relation to the central government, to the MP, the system of favours.” (interview #75)

As shown by the following quote from my interview with the President of a local and a regional rental rooms association in Chalkidiki, the lack of participation in decision-making by local stakeholders generates a profound sense of powerlessness:

“– [Me:] Are you concerned by problems related to the environment and spatial planning?

– [Interviewee:] Everything concerns us, both the environmental and the spatial planning issues. But as regards spatial planning, the rental rooms don’t participate in the planning. The planning is done by the state and the municipality. (...) In all these issues, also in terms of garbage and waste thrown in the sea, the rental rooms are the last receiver.” (interview #21)

In fact, the only type of locally applicable rules that stakeholders in Santorini and Chalkidiki have on some occasions been able to use in order to facilitate upgrading, stem from the architectural protection legislation referred to in section 4.3. Indeed, one of the reasons why the village of Pyrgos in Santorini developed as a comparatively upscale



destination was that construction in the old part of the village inside the Venetian castle was strictly regulated (interview #35):

“[When] I was the Commune President of Pyrgos, (...) I asked the Ephorate of Byzantine Antiquities to characterise half of Pyrgos as a protected monument. The then curator (...) said that it was the first time a Local Governance Organisation requests the characterisation of a settlement as a protected monument, and that I will face reactions. The reactions were truly strong and widespread, but to a large extent Pyrgos retained its morphological characteristics, and has a more balanced development today.” (speech of Santorini’s Mayor Nikos Zorzos, Vatopoulos *et al.* 2018)

Similarly, the development of Oia as the most luxurious and expensive destination in Santorini is linked to its protection as a traditional settlement since 1978, and the strict regulation through Presidential Decrees in 1993 and 1997 of what could be built within the limits of the settlement and how many licenses could be issued to different businesses. Indeed, the 1997 Decree was so detailed, that it specified that within the catering sector, only “16 restaurants, 2 snack bars, 6 traditional cafés, 6 cafés, 2 cafés that serve pizza, 1 café-pâtisserie, 1 snack-bar/ ouzeri, 1 café-bar, and 3 refreshment stands” were allowed to operate within Oia (Polyvou and Ritzouli 2014: 120/ S24).

Nevertheless, such protective regulations are too limited in geographical scope to suffice for facilitating generalised upgrading in mass tourism destinations. Moreover, the way in which local actors can gain access to such legislation is not governed by a transparent framework that could operate as a generally available facilitative institution for local actors across the country. As explained by an interviewee regarding the case of Oia, “at the time there was Papazoi [a PASOK minister] who had an interest in Oia herself, and together with some shipowners who constituted the Oia lobby, they managed to pass the legislation” (interview #35).

Given the lack of institutionally available mechanisms to encourage the adoption of local rules in the mass tourism sector, it is sometimes suggested that local actors could overcome the obstacles to cooperation by implementing a “system of local quality and responsibility labelling” themselves (Spilanis 2017: 70/ S20). Nevertheless, according to an upscale hotel owner in Santorini who was closely involved in the Mayor’s efforts for upgrading during the 2010s,

“I consider that a local quality label is not among the first priorities. Because someone can say I don’t want it, I don’t need it. Communicating a local quality label requires very much money to imprint it in the consumers’ consciousness.” (interview #75)

In other words, without a policy framework and support by the state, putting in place an effective local quality label system is quite a difficult task.

### 5.5.2 Deficiencies in the implementation of the law

Apart from the lack of a permissive framework that encourages local actors to define their own collective rules and plans, the severe deficiencies in the available institutional mechanisms for the implementation of the applicable legal framework in mass tourism destinations generates a perception of an uneven playing field and of inescapable anarchy: “You can’t put order in this place, everyone does whatever he likes. Solar boilers for example are disallowed in Santorini. But if someone goes and puts a solar boiler, who will take it off?” (interview #35)

As many interviewees explained, this situation is partly a matter of the deficiencies in the structure and administrative capacity of the state. Regarding the rental rooms businesses,

“The National Tourism Organisation was abolished as an institution that inspected the rental rooms businesses and said who is right and who is wrong when there was a disagreement. And the tourism police doesn’t work either, so there are no controls whatsoever in the sector, neither regarding the number of rental room businesses, nor for quality, nor for meeting the standards and prices that are associated with the ‘key’ system.” (interview #21)

The gap left in the mass tourism sector by the lack of a tourism police and the insufficient capacity of the regular police force was mentioned as a problem by several actors: “the entire Municipality of Sithonia [in Chalkidiki] – 140km of coastline – is served by three police cars, of which two operate during the day and one during the night” (interview #18)

Apart from administrative capacity, the hyper-centralisation of the Greek state and the failure to involve local stakeholders in processes of legal and policy implementation also contribute to the atmosphere of lawlessness. This is powerfully illustrated by the rise and decline of an innovative approach developed by Santorini’s municipal company *Geothira* towards monitoring the use of the island’s beaches. In recent years, Santorini’s municipality had delegated the task of managing the island’s beaches to the municipal company. The municipal company was thereby responsible for implementing the process of leasing out permits to individual businesses to put up umbrellas and sunbeds at a portion of some of the island’s beaches, and to monitor the correct implementation of the relevant contracts. Soon, the employees of the municipal company discovered that they

had to “find an objective and quick way to operate a control system, because we faced big issues regarding the observance of legality at the beaches” (interview #73). The municipal company didn’t have the authority to impose sanctions if they found that a lessee violated the terms of their contract: that was the responsibility of the state’s Real Estate Service. Nevertheless, the employees of the municipal company found an innovative solution for monitoring which seemed to work:

– [Interviewee:] We used remote sensing technology, i.e. satellite images, which let’s say constitute a fair, indisputable piece of evidence as to what is the situation of the beach on a particular date. (...) Essentially you don’t need to be there every day to see if some lessee is using 500 square metres or 200 square metres at any moment in time. You don’t have to go there and take out the measuring tape. Which is anyway something painful because it generates reactions. So we implemented a framework for monitoring, with which people felt that nobody specifically is targeted, they felt that there are no double standards. And with some on-site inspections, we confirmed let’s say the situation. And then we informed the relevant authorities, we did what the law foresaw, we informed the Real Estate Service. (...)

– [Me:] Did the fact that you were monitoring change something, even though you couldn’t impose fines?

– [Interviewee:] I would say that gradually it became understood that there is supervision. It surely facilitated the work of the Real Estate Service, because people knew they couldn’t overdo it let’s say.” (interview #73)

However, in 2017, without any consultation or explanation, the national government legislated that municipal companies were no longer allowed to manage beaches in Greece: this had to be done by the municipality itself. “When the responsibility left from here, from a small and purposeful organisation, and it went to the Municipality, all this finished. It doesn’t happen anymore. The Municipality, with its staffing shortages, does not have the capacity to do it” (interview #73). Thus, a distant, erratic and overly interventionist state pulled the rug from under the feet of a local effort to harness modern technology in order to generate compliance with the law.

## 5.6 Concluding remarks

I opened this chapter with a reflection about Santorini as “an island of contrasts”. Taking a step back from the micro-level analysis of leadership and local institutional change, I argued that one of the reasons for the different extent of cooperation observed in Santorini’s wine and tourism sectors has to do with the macro-level institutional frameworks that shape the relations among local actors in the two sectors. As explained by Vlahos and his co-authors,

“In the case of wine quality, the existence of a quality convention (PDO wine), initiated by the EU but embedded in the local society, implicates local actors towards an active protection of a collective good, i.e. fame. Unfortunately, no such convention for the landscape was perceived and much less adopted by local stakeholders.” (2016: 8)

Utilising Ostrom’s concept of facilitative political regimes, I suggested that although overarching sectoral institutions cannot guarantee and substantively impose cooperation on local actors, they can play a crucial role in enabling cooperation by encouraging local stakeholders to define their own plans and rules, by facilitating the implementation of those rules, and by subsidising the upfront costs of cooperation. Taken together, the type of facilitative sectoral institutional framework outlined in this chapter and the local-level leadership analysed in the previous two chapters, are jointly sufficient for the emergence of cooperation of upgrading.

Crucially, in sectors that fall under the scope of the EU’s competence, the EU’s sectoral governance frameworks can supplement and to some extent compensate for deficiencies in national overarching institutional frameworks. In putting forward this argument, I drew attention to an important but underappreciated characteristic of the EU’s Common Agricultural Policy (CAP), namely that particularly in established and highly regulated agri-food sectors like wine, it acts as a facilitative political regime that makes it easier for local-level actors in fragmented economies to overcome the obstacles to cooperation. It does so by incentivising local stakeholders to define their own rules about production standards and cooperative procedures, by requiring member-states to set up functional, multi-level enforcement systems, and by making it difficult for new entrants to undermine the achievements of first movers. The EU’s regional policies and particularly the LEADER programme also have participatory aspirations and elements, but given their smaller emphasis on the development of local rules and administrative capacity, they have incentivised local economic actors to act synergistically to a lesser extent than the CAP. More broadly, studying how the EU’s day-to-day expenditure and regulatory policies reshape the governance of the relations among local economic actors is key for understanding the impact of European integration on the prospects for economic development of fragmented economies.

On the other hand, I showed that the Greek national-level overarching institutional framework generally conforms to the expectation of an overly centralised, administratively weak state that hinders rather than facilitating local-level cooperative efforts. This is one of the reasons why it is so difficult to pinpoint cases of sustained,

broad-based cooperation among economic actors in the mass tourism sector, where the rules of the game are mostly determined at the national level. Nevertheless, some private or public-private actors like Piraeus Bank with its Contract Farming programme and the National Interprofessional Organization of Vine and Wine did facilitate local cooperation through national-level initiatives. Moreover, local-level actors in my high-cooperation case study areas were also able to use two national-level institutions to facilitate their collective efforts. The first is the institution of the obligatory cooperative, which, given the limitations and legal challenges associated with local monopsonies, could be transformed to an option to form local obligatory associations with a membership fee, as they exist in other European countries. The second institution is architectural protection legislation, which has enabled the adoption of locally applicable building laws in several areas with a traditional built environment, facilitating cooperation in the tourism sector. Such legislation could become more effective in terms of fostering economic development if local actors could gain access to it in a more transparent way, and in any case would have to be accompanied by a more general spatial planning policy framework if it were to enable successful cooperation in the mass tourism sector. The challenge is that even though facilitative national-level institutional frameworks are crucial for economic development in fragmented economies, they are difficult to provide endogenously in contexts where the actors who stand to benefit are too weakly organised to lobby for their adoption effectively.

## CHAPTER 6

### HOW FAR DOES THE ARGUMENT TRAVEL? EVIDENCE FROM DIFFERENT GEOGRAPHICAL SETTINGS

#### **6.1 Boundary-spanning entrepreneurs as catalysts for change: a generalisable path to cooperation in unfavourable settings?**

Based on empirical material from Greece, I have argued that a path to the emergence of cooperation among economic actors exists even in institutionally thin, low-trust settings. This path relies on the institutional work conducted by a small group of boundary-spanning leading actors, typically entrepreneurs but sometimes also representatives of the local government, who operate in the framework of a facilitative political regime which may, at least in part, be externally provided.

To what extent can this argument travel to different geographical settings? By using as analytical building blocks obstacles to cooperation and institutional features that are widely employed in the political economy literature, I have sought to put forward an argument that should, in principle, also be relevant in other similar settings. Delving deeper into the question of generalisability, in this chapter I draw on some of the few previously published case studies that also address the puzzle of the emergence of cooperation in unexpected places, in order to examine how and why cooperation among economic actors has emerged in unfavourable settings beyond Greece. In analysing the empirical material related to those cases, I expected to be able to identify the three elements that were key for the emergence of cooperation in Greece as crucial ingredients for the path to cooperation followed in each non-Greek case. Firstly, I expected that the process of local-level change towards a cooperative equilibrium would be linked in a clear and obvious way to the costly institutional work performed by a small group of easily identifiable actors. Secondly, I expected that those easily identifiable leading actors would be in some way outsiders to the area under discussion, whether they were translocally embedded locals or locally embedded non-locals. Thirdly, I expected that the institutional work of those leaders would exploit and rely in a substantively important way on facilitative overarching institutions, some of which would have been made available by actors other than the national government. Through an analysis of primary

and secondary sources, I show that these conditions indeed held in the case studies examined in this chapter.

More specifically, sections 2 and 3 of the chapter analyse in detail two case studies where cooperation emerged in recent decades in the alternative tourism and agri-food sectors of two areas in Southern Italy. On the one hand, the case study of Castel del Giudice, which draws on original empirical material collected through fieldwork and the published work of Belliggiano *et al.* (2017), highlights the central role played by a small number of hybrid or outsider local commune leaders and entrepreneurs in introducing cooperative institutions and innovative ideas about collective entrepreneurial strategies in a remote village in Alto Molise. On the other hand, the case study of the buffalo mozzarella sector in the region of Campania, which draws on the published work of Bianchi (2001) and Locke (2002), showcases the importance for catalysing upgrading of the institutional work conducted by a small group of highly skilled and well-connected leading actors operating in a favourable sectoral institutional framework. Moving beyond Southern Italy, based on the work of Hurrelman *et al.* (2006) and Hancké (2011), section 4 considers certain instances of emergence of cooperation in the agri-food, tourism and manufacturing sectors in particular areas of Central and Eastern European countries. Albeit somewhat more tentatively, the section concludes that similar processes as those identified in Greece and Southern Italy can on some occasions also be observed in postsocialist settings.

If the path to cooperation presented in this dissertation can shed light on relatively rare but substantively important cases where cooperation emerged in recent decades in Greece, Southern Italy and Central and Eastern Europe, then it is plausible to expect that its relevance also extends to other institutionally thin, low-trust settings with fragmented ownership structures. Nevertheless, ultimately, precisely how far the argument travels remains an open empirical question.

## **6.2 Explaining the emergence of cooperation for the supply of innovative products in a remote area of Southern Italy: The case of Castel del Giudice**

Like Greece, Southern Italy is considered in the literature as a paradigmatic case of a setting that is unfavourable to the emergence of cooperation among economic actors. Regarding formal institutions, the deficiencies of the Italian judicial system and its consequent difficulty to act as an effective enforcer of the law are well-known (Farrell

2009: 116). Regarding informal institutions, the basic conclusion of Putnam's work on the performance of Italian democratic institutions was that their success in northern Italy can be explained by the existence, since the early Middle Ages, of social capital and a civic culture which are lacking in the south. In Putnam's view, while northern regions like Emilia-Romagna are home to "an unusual concentration of overlapping networks of social solidarity" and are "peopled by citizens with an unusually well developed public spirit", the "traditional southern villages" are characterised by "hierarchy and exploitation, not by share-and-share-alike". In Italy's "uncivic" southern regions, "political participation is triggered by personal dependency or private greed, not by collective purpose" (1993: 114-115).

Castel del Giudice is a remote village of 346 inhabitants at 800 metres altitude in the southern Italian province of Molise, bordering Abruzzo (Belliggiano *et al.* 2017: 68). Like Nymphaio, Ambelakia and many other remote inland villages, in recent decades Castel del Giudice has faced strong pressures of depopulation and economic decline. Despite Putnam's depiction of southern Italian villages as *loci* where "interlocking vicious cycles" cause "nearly everyone [to] feel powerless, exploited, and unhappy" (1993: 115), since the late 1990s, Castel del Giudice has witnessed a series of remarkable collaborative efforts to reverse its declining fortunes. Firstly, at the initiative of the communal government, a residential care home was created in the village based on a private-public partnership, which hosts patients from a wider geographical territory and not only resolves local needs, but also attracts considerable funding from the Italian healthcare system (interview #38). Secondly, since 2000, the village has seen the establishment of a company for the production of organic apples in the village residents' formerly abandoned fields, which was initially individually owned, but was later taken over by a group of local entrepreneurs and residents and was also transformed into a public-private partnership. The company, whose name is *Melise*, sells fresh organic apples directly to the market and also supplies inputs to a big German company that produces food for infants. Finally, the old stables of the village, which used to be owned by a large number of local actors, were restored and turned into a so-called *albergo diffuso*, namely a hotel that is spread in several small buildings across a formerly abandoned part of town. The hotel is managed by a company which is owned by two local entrepreneurs, who hold 40% of the company shares each, and the local commune, which holds 20% of the shares (interview #43).



The process through which a range of actors came together to create those innovative goods and services has remarkable similarities to the way in which an alternative tourism sector was created in Nymphaio, with an active communal government led by hybrid actors playing a central role in the incremental creation of local cooperative institutions and the attraction of funding. At the same time, the emergence of the entrepreneurial idea for the cultivation of organic apples bears resemblance to the upgrading process of Santorini's wine sector, which was spearheaded by an outsider entrepreneur acting in collaboration with an influential local institution (in Santorini's case, the obligatory wine cooperative, and in the case of Castel del Giudice, the communal government). Structured according to the four analytical steps outlined in the preceding four chapters, the remainder of this section demonstrates how the analytical framework developed in the dissertation illuminates the emergence of cooperation in Castel del Giudice.

#### 6.2.1 Obstacles to cooperation

The stakeholders in Castel del Giudice faced a combination of initial obstacles related to the conceptualisation of the costs and benefits of alternative strategies and subsequent public-good provision problems that are familiar from the Greek case studies. Moreover, like in Greece, the pervasive perception of clientelism and ulterior personal and political motives generated an atmosphere of mistrust that made it harder to overcome those obstacles.

As in other remote, rural settings, the first hurdle to the supply of collective entrepreneurial strategies in Castel del Giudice was the obstacle of entrepreneurial discovery. Indeed, as explained by my interviewees, planting a commercial apple orchard spanning several individual fields was far from an obvious idea in the Castel del Giudice context:

“Here we only ever had family-based subsistence agriculture. It was not full-time agriculture, but a type of part-time agriculture that was useful for families to produce small quantities of products, namely wheat and corn, more than beans or potatoes, which were consumed by the family. (...) Breeding goats or cows would have been normal. But planting twenty hectares of apple orchard was a very strange request, an absolute novelty.” (interview #38)

More broadly, the issue was that as in other remote areas, the residents of Castel del Giudice “did not have an entrepreneurial capacity in agriculture” (interview #39).

Even if the hurdle of entrepreneurial discovery was overcome, providing the type of goods and services under discussion in Castel del Giudice required considerable upfront investments that had a public-good character. As the following anecdote shows, these investments were not easy to finance:

“The idea of creating a retirement home was actually initiated by the former Mayor, unfortunately he has died now. But he relied too heavily on public funds, and he waited, and waited, and waited, years, years, years, and no funding ever arrived.” (interview #38)

The difficulty of locating funding sources concerned not only the retirement and care homes that were constructed in Castel del Giudice, but also the *albergo diffuso* at the old stables, as well as the apple cultivation itself, which required considerable experimentation with a range of apple varieties, and the construction of an expensive drip irrigation system (interview #41).

Overcoming those obstacles is particularly difficult in the presence of a generalised suspicion that actors who seek change are motivated by hidden ulterior political or personal motives, a challenge that, as was seen in Chapter 2, is also pervasive in rural Greece. As explained by the President of the Local Action Group for Alto Molise with reference to the wider area around Castel del Giudice, “here we resist, we continuously contest what is being decided at all levels. Because we always think there is an ulterior motive,” whether it is “to favour a company, a person or an organisation” (interview #45). Indeed, when the organic apple company was first founded in Castel del Giudice, many of the owners of the fields that were to be cultivated initially reacted with “scepticism” (interview #38) and “diffidence” (interview #40) to the venture, even though the fields they were being asked to rent were abandoned and generated practically no economic value to them. Similarly, when Lino Gentile, the mayor who later presided over the realisation of the aforementioned economic initiatives in Castel del Giudice, took office in 1999, “the village was split in half” and there were “many denunciations and complaints” (interview #41).

### 6.2.2 Leadership and the supply of local-level cooperative institutions

As in the Greek case studies, understanding how and why those obstacles were overcome in Castel del Giudice requires putting at the centre of the analysis the institutional work undertaken by a small group of leading actors, in this case Lino Gentile, the Mayor of Castel del Giudice, Gilberto Brigato, an entrepreneur from the northern

Italian region of Veneto who started the cultivation of apples in the village, and also Ermanno d'Andrea and Enrico Ricci, two other entrepreneurs who invested in many of the projects in question. As summarised by one interviewee, stakeholders in Castel del Giudice were successful in providing a series of innovative goods and services in the agri-food and tourism sectors

“for two reasons, in my opinion. The first one is linked to the fact that there are persons in Castel del Giudice who believe in a collective approach to development, and the other is because they were good in terms of acquiring resources, both public and private.” (interview #44)

More specifically, a small group of leading actors disseminated innovative entrepreneurial ideas, generated a conception of shared interest anchored around those ideas by demonstrating in an incremental way that cooperative strategies could work, and attracted funding from a range of sources to put the collective entrepreneurial strategies to practice.

Starting with the conception and dissemination of novel entrepreneurial ideas, the crucial contribution when it comes to the production of organic apples was made by an entrepreneur from Veneto, Gilberto Brigato. Brigato “saw in Castel del Giudice what he considered to be an optimal place for apple cultivation” (interview #38):

“He reasoned as an agricultural entrepreneur, and he came here with a revolutionary idea, very different from ours, namely to rent 10-20 hectares of land – which for us were very many, because you must consider that one family, i.e. an average firm, would have cultivated half a hectare. (...) And so he introduced, he brought to Castel del Giudice – and to the whole of Alto Molise – the absolute novelty of an agricultural firm dedicated to fruits, i.e. an orchard of considerable dimensions. So something very different than what the local habits were, what the uses of these lands were.” (interview #38)

Moreover, Brigato “decided from the beginning to cultivate organically”, and his choices in terms of the set-up of the orchard and the apple varieties that he planted were all geared towards that end: “and I have to say that on this he was far-sighted, because he was right. It became evident from the first hectares that he cultivated, that this area could guarantee a product of the highest quality and lowest environmental impact” (interview #38).

On the other hand, the idea to create a residential care home in Castel del Giudice as a public-private partnership is associated with Mayor Lino Gentile and his collaborators, who “tried to turn what had become negative aspects, problems, into opportunities”:

“There was an ability to look ahead, because in those years there was a strong need to find alternatives to hospitalisation. And that’s where the idea was born to propose, through a regional project, to create a care home, which today has become the alternative to the hospital, essentially. (...) And so paradoxically, in a village of old people, where old age became a problem, through these structures we managed to make a contribution and to resolve a problem.” (interview #38)

Once those ideas were introduced, the local leading actors and particularly Mayor Lino Gentile worked to gradually establish the ideas’ credibility and demonstrate that adopting a cooperative strategy could pay. The first step was to convince local residents to rent their fields to the entrepreneur from Veneto, which the communal government achieved in the face of some reluctance and resistance by “taking it upon itself, by exposing itself and saying publicly look, we endorse this initiative because it’s in the interest of the community” (interview #40). Given that, as the Mayor pointed out to the citizens, they had little to lose by renting their abandoned plots – “at the worst [the entrepreneur from Veneto] will just pay rent for ten years” (interview #41) – the first form of cooperation that was requested from the citizens came at a small cost. Once the viability of apple cultivation had been demonstrated, when the entrepreneur from Veneto withdrew from the project a few years later for health reasons, a critical mass of initially twenty and eventually over sixty local residents were ready to engage in a more demanding form of cooperation by participating as investors in the foundation of a new apple-producing company, *Melise*, which took over and expanded Brigato’s orchard.

The citizens’ investment in *Melise* was also facilitated by their earlier experience of participation as investors in the similarly designed public-private residential care home project (Belliggiano *et al.* 2017: 70), whose aim was perhaps easier to understand originally, as it stemmed directly from local needs. As Mayor Lino Gentile explains,

“The first experience that we did was a residential care home, where we transformed a former school building in a healthcare facility. So we already had the experience, because the important thing in small communes is that you also have to provide evidence that you can get things done. When the people saw that we implemented the initiative, they were convinced that we are in a position to keep our commitments.” (interview #40)

Similarly, when the local residents were asked whether they agreed for the project of the “diffuse hotel” at the village’s old stables to begin, they gave their consent

“at a historically particular moment, because the Mayor asked them at the same time as the residential care home was being inaugurated; so they knew

that the reality of the proposed project was concrete, and thus they agreed.”  
(interview #42; see also Belliggiano *et al.* 2017: 74)

Indeed, “time showed that there was no malice” in the communal government’s initiatives, despite several residents’ original suspicion to the contrary: “things were truly done for the community, those people didn’t have a personal interest” (interview #42). As a result, at the moment “if Lino decides something, or if the entrepreneur decides to follow a path, to do a certain type of investment, it’s easier for the community to converge around and follow that decision” compared to what happens in the rest of the region of Alto Molise (interview #45). In other words, as in Greece, trust in the communal government and belief in the credibility of innovative ways of doing things were created gradually: “This method, [of going] step by step, [building on] each objective attained, created a trust and a perception of reliability” that are crucial for the engagement in more demanding forms of cooperation today (interview #45).

Finally, the communal government during the tenure of Lino Gentile played a crucial role in terms of attracting resources for the realisation of the aforementioned collective entrepreneurial strategies. The first source of funding was EU rural development funds, which co-financed the drip irrigation system and apple re-plantations conducted by *Melise*, as well as EU structural funds, which co-financed the construction of the *Borgotufi* “diffuse hotel” (interview #38). However, given the need to provide co-financing, the communal government also worked with two entrepreneurs, Ermanno d’Andrea and Enrico Ricci,

“who believed in the *Borfotufi* project, in the residential care home, in *Melise*, and who invested very considerable resources in those projects. (...) When you want, you find people like Ermanno d’Andrea, Ricci, who understand that your project is good and that there is a future outlook in what you propose. They trust you, and in a way you essentially overcome the funding problem.”  
(interview #38).

Additional resources were provided by smaller local investors in the residential care home and *Melise* projects, who invested sums in the region of €1000-5000 each. Finally, the communal government took out a loan and sold some of its property in order to cover the cost of creating the public infrastructure that was necessary for the realisation of the *Borgotufi* hotel project (interview #40).

As aptly summarised by the General Manager of *Melise*, “when a group of persons initiates action because they have an idea and an ideal, then others also get involved, because they see that this ideal brings a return, it brings about an improvement. Then,

slowly slowly things expand: but it's necessary to have a nucleus, a strong foundation of persons who have the idea to build" (interview #39).

### 6.2.3 Characteristics and availability of successful leading actors

But what are the characteristics of such "persons who have the idea to build", and where are they most likely to be found?

Like in Santorini, an outsider entrepreneur, who operated in "Trentino and Veneto" (interview #38), played a key role in the dissemination and early realisation of the idea to cultivate organic apples in Castel del Giudice. The General Manager of *Melise* explains the importance of the involvement of translocally embedded actors in Castel del Giudice precisely by referring to their ability to recombine elements from diverse environments:

"many of the professional people who rotate around *Melise* are professional figures who live and work in other places, they don't live here. Travelling, seeing realities that are much bigger and more important than this one, they have the capacity to compare [those realities to ours], to redraw them, to see them anew as a function of what are our possibilities and specificities. To give an example, if they find themselves observing realities where there is a strong industrialisation, if this is not well-suited for our area, they don't copy it. But when they saw firms that were engaged in doing agri-tourism at the diffuse level, they brought back this idea here." (interview #39)

Moreover, like in Nymphaio, since 1999 the communal government has also been led by an administration of hybrid actors who originate from the village but studied and worked elsewhere before taking part in local government. The hybrid identity and educational and professional experience of the heads of the local government helped them not only in terms of bringing novel ideas such as the notion of the public-private partnership into Castel del Giudice (Belliggiano *et al.* 2017: 71), but also in terms of importing the know-how that would enable them to put those ideas into practice:

"I, for example, and the Mayor, we can't live here because we do a different job, in different places. But in a way we brought to the administration what was our professional experience, I as an agronomist, the Mayor as an accountant, the other as an entrepreneur. And so we made a strong contribution to bringing about change, in other words to creating an administration that was open to the citizen, open to innovation, capable above all to acquire EU resources, i.e. to develop projects." (interview #38)

Furthermore, the fact that actors like Lino Gentile and Giuseppe Cavaliere had a career outside Castel del Giudice and outside politics, distinguished them from the traditional "political class that was very linked to the old concept of managing public affairs, so to politics and favours", and made it easier for them to gain their fellow citizens' trust: "we

worked without ulterior aims, because, I repeat, I live from my work, the Mayor lives from his work, nobody lives from politics, nobody needed politics” (interview #38).

Such observations led Belliggiano and his co-authors to conclude that the case of Castel del Giudice “has many characteristics that are associated with the ‘neo-endogenous’ paradigm of rural development”, which highlights the importance of combining the valorisation of local resources with exogenous stimuli, “rather than the ‘endogenous’ paradigm, with which it is often instead associated” (2017: 67). Indeed, the endogenous model, which emphasises the valorisation of local resources by local actors,

“showed itself to be seldom effective in many rural areas, especially in the most vulnerable ones, to which it was primarily addressed. Such areas, in fact, having very weak economic and demographic foundations, cannot evade support by ‘exogenous’ interventions to start efficient processes of local development.” (Belliggiano *et al.* 2017: 76)

This conclusion echoes the argument put forward in this dissertation that the involvement of a few outsider or hybrid actors is a necessary condition for collective entrepreneurial strategies to be supplied in unfavourable settings.

The availability of hybrid actors in Castel del Giudice is linked to the emigration and return migration patterns of the local population. Particularly after the Second World War, when the village was completely destroyed, many residents emigrated in northern Italy or abroad. Some of them, or their children and grandchildren, later returned to the area, bringing along new habits and ideas. Among the return migrants from northern Italy was Remo Gentile, one of the founding members of *Melise*, and his son Simone Gentile, who is the current General Manager of the company. In turn, the vibrant projects and economic activities currently taking place in Castel del Giudice are reinforcing the village’s translocal links by attracting further hybrid and outsider actors, such as a couple from Turin and Sicily who chose to move to Castel del Giudice a few years ago, seeking a higher quality of life. The man from Turin is currently employed in *Melise*, while the woman from Sicily is the President of a local cooperative, and also manages a programme of refugee integration that Castel del Giudice participates in (interview #42).

As in the remote Greek village of Nymphaio, an at least partly other-regarding desire to see a place prosper was a key element in the motivation of several leading actors involved in Castel del Giudice: “we were people who loved their area and their village, despite not living here” (interview #38). Ermanno d’Andrea’s investment in all the projects spearheaded by the Mayor of Castel del Giudice also contained an element of

other-regarding attachment to his region of origin, as by profession he was a successful entrepreneur in the sector of precision mechanics in Milan (interview #40). On the other hand, some of the entrepreneurs involved in Castel del Giudice were also motivated by conceptions of self-interest that encapsulated the interests of local stakeholders. As was seen already, the entrepreneur from Veneto who started cultivating apples in Castel del Giudice did so because he saw an entrepreneurial opportunity in the area. Similarly, Enrico Ricci, the co-owner (together with Ermanno d'Andrea) of the *Borgotufi* diffuse hotel, explains that when the communal government started looking for private-sector partners to get involved in the project, his family firm was well-placed to invest, as it specialised in construction and restoration:

“And so we decided to do it because we are from here, but also as a gamble, in order to see if also in these areas we could think of doing this thing in a similar way as in more developed areas such as Tuscany and Umbria. That's how we thought about the initiative.” (interview #43)

In short, as in the Greek case studies, the profile of the leading actors in Castel del Giudice was that of highly skilled hybrid or outsider actors, who were motivated by an other-regarding desire to see the village develop, a broad conception of self-interest, or a combination of the two.

#### 6.2.4 Sectoral institutional frameworks and the emergence of cooperation

Finally, EU rural development and regional funding programmes played an important facilitative role in the implementation of collective entrepreneurial strategies in Castel del Giudice by reducing the upfront costs of cooperation (interview #39). Indeed, as mentioned by an interviewee, Castel del Giudice was well placed to benefit from those funding programmes, as the initiatives that were undertaken in the village constitute precisely the type of activity that the EU typically seeks to promote: “being in a mountain zone and having an organic firm, we usually got many points [in competitive calls], so we didn't have any problems getting financed” (interview #38).

Beyond the reduction of upfront costs, there are some indications that the EU's LEADER programmes are currently encouraging a diffusion of the Castel del Giudice model in the region of Alto Molise. Indeed, in the last four years, eighteen communes including Castel del Giudice have formed a Local Action Group (LAG), the public-private institution that is required for being able to apply for LEADER funding. As explained by my interviewees, Local Action Groups must cover an area with at least



15,000 inhabitants, which is why eighteen communes decided to get together, and must include private-sector participation at a rate of at least 51 percent. The Local Action Group “Alto Molise” includes 120-130 members, most of which are firms (interview #44). Deliberations within the framework of the Local Action Group have the potential to encourage local stakeholders to think strategically at a wider scale and to diffuse the ideas and cooperative practices developed in Castel del Giudice, particularly as “in the context of the LAG partnership, Castel del Giudice is recognised as a virtuous example” (Belliggiano *et al.* 2017: 67). Nevertheless, it is too soon to tell whether the institution will in the end achieve this aim.

Overall, the similarities in the factors underpinning the supply of collective entrepreneurial activities in Castel del Giudice in Southern Italy and Nymphaio in Greece are remarkable. In terms of outcomes, it is noteworthy that the degree of synergy between the agri-food and tourism sectors is far greater in Castel del Giudice than in Nymphaio, while in Alto Molise one also does not observe the type of social fragmentation that exists between Nymphaio and the surrounding villages, making it easier to imagine that the experience of Castel del Giudice could be scalable. On the other hand, the stakeholders in Nymphaio invested considerably more than their counterparts in Castel del Giudice in creating not only beautiful hotels, but also touristic attractions that could generate alternative tourism flow. As a result, Nymphaio was able to successfully address a challenge that the stakeholders in Castel del Giudice are currently facing, namely the fact that the region “is little known from the touristic point of view” (interview #43).

### **6.3 Explaining the emergence of cooperation for upgrading in an established agri-food sector in Southern Italy: The case of buffalo mozzarella in Campania**

Buffalo mozzarella is a product with high profit margins which has created “an impressive amount of wealth” in the region of Campania in recent decades (Bianchi 2001: 129). Although the production of buffalo mozzarella has a long history in the region, the current high added value of the product is the result of a process of upgrading that has taken place in the sector since the 1980s, which has involved the adoption of a set of rules to guarantee quality, the implementation of a number of technical innovations, and the conduct of collective marketing efforts. Central to this process have been the formation and activities of the Consortium of the Producers of the Mozzarella di Bufala Campana,

which is based in the town of Caserta just north of Naples. In the words of Tito Bianchi, who has studied the case,

“taken by itself, this is the kind of collective institution to protect and promote the producers’ interests that people from the *Mezzogiorno* usually envy in their compatriots from the North, and that is considered to be unfeasible in the South because of an overly individualistic mentality. The fact that such a voluntary organization exists, that it associates about 100 fee-paying firms [among a total of 200-250 firms in the sector], and works reasonably well, represents a surprise in small-scale manufacturing in the *Mezzogiorno*.” (Bianchi 2001: 134)

Bianchi (2001) and Locke’s (2002) studies of the buffalo mozzarella sector reveal a remarkable degree of similarity regarding the factors that enabled upgrading in Campania and the path to cooperation followed in Santorini’s wine sector and Chios’s *mastiha* sector. In terms of process, the provision of incentives and the enforcement of sanctions played a key role in catalysing quality improvement. In terms of the factors that enabled change, a small group of highly skilled and well-connected actors spearheaded the formation of the consortium and the onset of the aforementioned cooperative activities. In turn, as both Bianchi and Locke clearly point out, the institutional work of those actors was made easier by the inclusion of the buffalo mozzarella in the Protected Designation of Origin system, which acted as a facilitative sectoral institutional framework.

### 6.3.1 Obstacles to cooperation

Quality improvement in the buffalo mozzarella sector faced two types of obstacles. Firstly, producers had a strong incentive to adulterate buffalo milk with cow milk, a practice which reduces production costs by five to ten percent but tarnishes the local product’s reputation and thus eventually decreases its price. Indeed, between 1987 and 1993, a consumer group found that between 33 and 60 percent of local buffalo mozzarella samples that they analysed were adulterated (Locke 2002: 122). In fact,

“the scarcity of buffalo milk and the economic incentives to cheat are still in place, and this creates a typical textbook example of a free-rider problem. Firms can pay to join the consortium and use its name and symbol, and then adulterate the product to increase their revenues.” (Bianchi 2001: 134)

Secondly, quality upgrading in the buffalo mozzarella sector relied on technical improvements such as the mechanization of milking and the de-seasonalisation of buffalo births, which led to an improvement in productivity and resolved the problem of the

seasonal character of milk production (Bianchi 2001: 131). Indeed, the technology used in the sector improved to such an extent in recent decades that “in no other country of the world does buffalo raising take the modern form that it has taken in Southern Italy” (Bianchi 2001: 138). Although this is not explicitly recognised by the scholars of the case study, coming up with such technological innovations required overcoming both an obstacle of entrepreneurial discovery, as the “mechanical milking of buffaloes was unheard of before 1970”, and a free-rider problem, as the de-seasonalisation of births was a costly process that required “more than 20 years of experimentation and development” (Bianchi 2001: 131).

### 6.3.2 Leadership and the supply of local-level cooperative institutions

As Bianchi observes echoing this dissertation’s argument about the role of leadership in the emergence of cooperation against the odds,

“at the roots of both the technological modernization of the farming sector, and of the creation of the consortium, there has been the activity of a very restricted number of knowledgeable people [who] used their resources and connections to promote the sector’s development. It is hard to look for explanations for how this process came about without talking about three specific individuals and about the relations between them.” (Bianchi 2001: 137)

Although Locke is reluctant to explicitly put forward an argument about the importance of leadership, he also remarks that in both of his case studies where cooperation emerged in an unfavourable context, namely the buffalo mozzarella sector in Campania and the mango sector in a region of north-eastern Brazil, “the initiative was taken by a small group of large producers” (2002: 129).

In the buffalo mozzarella sector, those leading actors undertook two types of institutional work that were crucial for catalysing cooperation. Firstly, “a small number of large dairy firms” (Bianchi 2001: 134) formed the buffalo mozzarella consortium in 1982. Among the central activities of the consortium was to set up a monitoring system of random inspections on individual producers, and to impose graduated sanctions on producers found mixing buffalo and cow milk: a 12 million lira fine at the first offense, twice that sum at the second offence, and expulsion from the consortium at the third offence (Locke 2002: 122). As a result, according to data published by the consortium, the share of adulterated samples in the total number of samples analysed has steadily declined over time: “Firms have begun to understand – maybe with the help of well-

designed deterrent measures – that their future well-being depends on the sacrifice of individual, short-term interests” (Bianchi 2001: 136).

Secondly, the producers who spearheaded the creation of the consortium also undertook a disproportionate share of the cost and effort to introduce modern production techniques in the sector. According to Bianchi, “the owner of the most modern buffalo farm of the area”, who was one of the pioneers of the sector’s upgrading,

“liked to experiment with new techniques and to show them proudly to the many people he invited to his ranch. He operated in close liaison with researchers from the university and from private institutions. For instance, he trained in his farm the current head of the veterinarian extension service of the University of Naples – a team that today provides technical advice to the great majority of the buffalo ranches and has contributed greatly to developing and diffusing the new ranching techniques described earlier.” (Bianchi 2001: 137)

Cumulatively, this producer, together with a second leading actor, “did on their ranches most of the experimenting that was necessary for the technological improvements introduced later by all the other ranchers, even the smallest” (Bianchi 2001: 137). A third leading actor, who was a university professor, also made an important contribution by “offering free technical assistance to the largest enterprises, in exchange for the possibility of conducting experiments on their farms” – a practice that was later taken up by the “very effective Extension Service of the University of Naples” (Bianchi 2001: 138). The technical improvements that were thereby introduced constituted a club good that benefited most producers in the local buffalo mozzarella sector. Moreover, like in the Chios *mastiha* sector, those technical improvements enabled producers to increase production without compromising on quality, thereby functioning as a positive incentive for producers to abide by the stricter production standards (Locke 2002: 122).

### 6.3.3 Characteristics and availability of successful leading actors

While Bianchi and Locke’s case studies provide no information regarding whether the aforementioned leading actors were insiders, hybrid actors or outsiders, Bianchi’s study in particular makes it clear that they were highly skilled and well connected, and that these attributes were relevant for their ability to catalyse change in the sector.

Indeed, in the concluding discussion of his article, Bianchi suggests that one of the salient differences between Campania’s tomato processing sector, which is characterised by low cooperation among economic actors, and Campania’s buffalo mozzarella sector, where demanding forms of cooperation have been achieved, is that

“in the tomato-processing sector all the producers see each other peers, although some are much smaller in scale than others, while in the mozzarella sector the few larger-scale farmers that are responsible for the creation of the producers’ consortium are seen by the others as higher in status, better informed and more powerful.” (140)

Thus, Bianchi argues that “somewhat paradoxically, the higher social status of the large-scale buffalo ranchers created room for trust instead of destroying it” (140).

Without contesting that social status might, under some circumstances, increase the acceptability of novel norms and ways of doing things introduced by a small group of leading actors (though it could also conceivably have the opposite effect), I would nevertheless argue that in my reading of the case, the crucial difference that the social status of the leading actors made was that it correlated with the possession of know-how and linking social capital, facilitating the conduct of the institutional work outlined previously. On the one hand, the close professional and social ties of the leading actors with local universities enabled them to become embedded in international networks of expertise in buffalo raising, and they “contributed greatly to enhancing technical innovation and product quality” in the sector (Bianchi 2001: 138). On the other hand, the connections of the leading actors with the national-level authorities played an important role in terms of helping them benefit from facilitative national and EU-level legislation. Indeed, the second of the three leading actors identified by Bianchi was a large-scale local buffalo farmer who later became Minister of Agriculture, and it was he, as Minister, who signed off the buffalo mozzarella’s inclusion in the Italian Protected Designation of Origin system in 1993 (Bianchi 2001: 137).

Finally, although the case studies do not directly address the question of the leading actors’ motivation, Locke’s observation that the actors who catalysed cooperation were “exactly those who had the most to lose if the situation [of deteriorating quality] wasn’t corrected” (2002: 129), suggests that it is plausible to hypothesise that some form of broad conception of entrepreneurial self-interest may have played a role in motivating their initiatives.

#### 6.3.4 Sectoral institutional frameworks and the emergence of cooperation

Like in the Greek wine sector, being able to benefit from facilitative sectoral institutions played a crucial role in empowering the local leading actors in Campania’s buffalo mozzarella sector to catalyse cooperation for upgrading.

Firstly, in 1986, the buffalo mozzarella consortium managed to obtain national-level legislation that obliged buffalo mozzarella producers to wrap every piece of mozzarella individually, indicating the name of the producer on the package. This legislation enabled traceability and greatly facilitated the implementation of the consortium's monitoring system (Bianchi 2001: 134).

Secondly, in 1993, the Italian state recognised the buffalo mozzarella as a Protected Designation of Origin (PDO) product, a recognition that was also afforded by the EU in 1996. Acquiring PDO status greatly facilitated cooperation in the buffalo mozzarella sector, as it provided a strong incentive for producers to abide by the strict quality standards drawn up by the consortium and stipulated by the PDO specification: only producers who abided by those quality standards would be able to sell their product as "buffalo mozzarella from Campania". Moreover, the PDO regulation conferred to the Consortium "the responsibility to enforce the correct use of the [PDO], perform the necessary controls, and sue those who used it illegally", thereby providing it with an important source of authority to engage in monitoring and to implement sanctions (Bianchi 2001: 134). As a result, the PDO logo greatly enhanced the visibility and perceived importance of the consortium, leading to an increase of its members from 15 to 95 within two years of the PDO recognition (Bianchi 2001: 134). Finally, the PDO regulation protected the local buffalo mozzarella production from low-quality imitation by producers in other areas, thereby providing assurance that if the local stakeholders engaged in cooperation for quality improvement and marketing, they would be able to reap the rewards, rather than having their collective reputation tarnished by opportunistic new entrants from outside (Locke 2002: 121).

Locke is correct to point out that the fact that the PDO label can be acquired by any local producer who follows the relevant quality specifications rather than being the privilege of a small group, ensures that the benefits conferred on the sector by the PDO logo do not only help "a select few", but foster inclusive economic development (2002: 129). Locke attributes the inclusive nature of this governance framework to an "exchange" between the Italian government and the consortium, whereby the government provided a quasi-public good to the consortium, namely the PDO logo, and in return the consortium kept its doors open to new members (2002: 129). However, as seen in Chapter 5, the principle that the PDO logo can be acquired by any local producer who follows the rules is a core feature of the PDO system more generally, and one of the reasons why EU-

style protected designations of origin function as a facilitative political regime for cooperation in the agri-food sector.

On the other hand, to the extent that the consortium was able to obtain the special national-level legislation mentioned previously due to the political acquaintances of some of its leading members, the Italian national institutional framework bears some resemblance to the Greek regulatory framework, which, as was seen in the previous chapter, has also on occasion been activated through political acquaintances. While the national legislation in question facilitated broad-based local-level cooperation in both instances, a more transparent and accessible way to obtain such legislation could extend its benefits to a wider range of actors across the country.

Overall, based on the detailed examination of two case studies on the emergence of cooperation among economic actors in Molise and Campania, it is possible to conclude that when cooperation for upgrading arises in the Southern Italian agri-food and tourism sectors, it tends to do so in a similar way as in Greece, through a combination of specific types of institutional work conducted by a small group of boundary-spanning actors and the availability of a facilitative sectoral institutional framework. Beyond the agri-food and tourism sectors, Burroni and Trigilia also conclude that in cases where “dynamism and local development” are observed in the Southern Italian manufacturing sector, a “leader firm” tends to play “an important role in local governance”, which is a notable difference from the more horizontal “networks of firms” observed in the Third Italy (2001: 70, 74). Nevertheless, I would add as a caveat to this argument that I would not expect local leading actors to be able to catalyse cooperation for upgrading in a similar way in local sectors of direct interest to the Mafia. This is because the combination of the “world of deep distrust” actively promoted and sustained by the Mafia as a “robust pillar of [its] business”, and the Mafia’s “ability to use violence, whether direct or in the form of a credible threat” to prevent change that challenges its interests (Gambetta 1988: 168), constitute obstacles that are far more difficult to overcome than the obstacles posed by the non-violent form of clientelism that permeates much of Southern Italy and Greece.

## **6.4 Exploring paths to the emergence of cooperation in Central and Eastern Europe**

Central and Eastern Europe (CEE) is also generally portrayed in the literature as having “low or even missing social capital” (Hurrelmann *et al.* 2006: 226), albeit for different reasons than Greece and Southern Italy. On the one hand, it has been argued that

within the context of a planned economy, “voluntary cooperative engagement” was “eroded and destroyed”, while “individuals associated their political leaders with corruption and self-interested behaviour” (Hurrelmann *et al.* 2006: 226). On the other hand, the transition process is said to have systematically destroyed “most economic as well as non-economic institutions that existed before 1989. Countries in CEE thus entered the post-socialist era with very ‘thin’ institutions and without a relevant recent history to build on” (Hancké 2011: 8).

This section examines two studies on the emergence of cooperation in different sectors of different Central and Eastern European countries. Although the studies do not provide sufficient detail to examine the extent to which every aspect of the argument developed in the dissertation can also be observed in cases in a CEE context, they point to the direction that the key conclusions from Greece and Southern Italy can also travel in some Central and Eastern European areas and sectors. On the other hand, how far the relevance of those arguments would extend in different Central and Eastern European geographical and sectoral settings than those examined here, and what role the different transition experiences and institutional set-ups play in facilitating or hindering cooperation in different Central and Eastern European countries, are interesting questions that lie beyond the scope of the dissertation.

#### 6.4.1 Three case studies of rural cooperation projects in Hungary, Latvia and Slovakia

Hurrelmann, Murray and Beckmann examined the factors underpinning success and failure in “various rural development initiatives that require collective action” in Central and Eastern European countries (2006: 227). Their paper draws on three case studies. Starting with the most successful case of cooperation, they firstly studied two agricultural cooperatives in a town of Eastern Hungary, which “can both be said to have developed successfully since the beginning of transition” (Ibid.: 230). Secondly, they studied a business association in the rural tourism sector in central Latvia, where a limited degree of cooperation can be observed, as members “perceive little gains from cooperation but also give only a small input” (Ibid.: 234). Thirdly, the case where the degree of cooperation was lowest concerns the management of a national park in north-eastern Slovakia, which is plagued by the “splitting of competences among various (often antagonistic) organisations at different levels” and “weak public participation”, as “the park administration is regarded by most of the other actors in the region with a degree of scepticism” (Ibid.: 230, 236).



According to Hurrelmann and her co-authors, “two main obstacles for collective action in rural CEECs [Central and Eastern European Countries] are low bridging social capital and unclear gains from cooperation” (2006: 219), or, in the terminology used in Chapter 2, social fragmentation and the hurdle of entrepreneurial discovery. On the one hand, economic actors have “little trust in” and engage in little “communication with authorities and sometimes other actor groups”. On the other hand, the local actors tend to lack a clear picture of the payoffs associated with following a cooperative strategy (Ibid.: 220). In the Slovakian case study, “communication, trust and exchange of information” are “very limited” between the relevant stakeholders, namely the fifteen municipalities and two regional governments that are responsible for the management of the national park, and the farmers and forest owners of the region. At the same time, “most municipalities, farmers and tourism organisations” regard the national park “as an obstacle to economic development”, and mostly “do not see rural tourism or agro-tourism as a solution to the problems of the region” (Ibid.: 236-237).

Echoing the dissertation’s argument about leadership, according to the authors of the study, in such situations

“well-connected local leaders who provide credible information and establish links among different actor groups and with authorities are of crucial importance in achieving collective action. This finding is interesting because most of the literature on social capital does not acknowledge the need for a ‘mediating agency’ but expects cooperation to happen ‘automatically’ where enough social capital is present.” (Hurrelmann *et al.* 2006: 220)

In particular, in the case of the two successful Hungarian agricultural cooperatives, “leaders occupy a central role in the provision of information” (Ibid.: 232). On the one hand, at the initial stages of cooperation, those leaders played a crucial role in terms of organising “many general meetings” and “persuad[ing] individual farmers of the benefits of collective action”, while on the other hand, still today, “leaders are responsible for the external contact of the cooperatives and members are found to know relatively little about markets” (Ibid.: 231-232).

In turn, the Latvian rural tourism association “was founded on the initiative of one individual, a farmer who himself runs a multifunctional farm business including rural tourism”. However, one of the reasons for the association’s limited success is that no leading actor currently seems to be available to provide a long-term strategic vision for the association, acquire funding, and introduce cooperative norms to encourage higher degrees of contribution by the members. Indeed, the funding for the salary of the

association's coordinator, who "clearly plays the main role in keeping up the cooperation" in the association, has run out, and "there seems to be the danger that, over time and without external support, the coordinator may give up and the initiative will die" (Ibid.: 233-235).

Similarly, in the case of the Slovakian national park, "there is also a lack of leadership, as no local or regional leader could be identified who would manage to initiate cooperation among the different groups and identify or communicate common aims". Although the park administration has taken some initiatives to promote ecotourism, its failure to build bridges and trust-based relations with the municipalities and the relevant economic stakeholders meant that those initiatives did not succeed in overcoming the obstacles of social fragmentation and entrepreneurial discovery that hinder cooperation in the area. In terms of the argument put forward in Chapter 3, leading actors will only succeed to trigger cooperation if they perform all three types of necessary institutional work.

While Hurrelmann *et al.* do not provide much information about the characteristics of the "local leaders" that they consider to be "of crucial importance as a mediating agency to provide the 'gear' necessary for collective action", the portrayal of those leaders as "motivated, well-educated and well-connected" actors (2006: 239) is very much in line with the argument put forward in Chapter 4.

Finally, in terms of policies, the prospects for cooperation in the Slovakian case seem to be further aggravated by the fact the national park "itself is not a product of collective action but is regarded as imposed on the actors by the authorities" (Hurrelmann *et al.* 2006: 239). To use the terminology of Chapter 5, the institution of the national park lacks a crucial characteristic of facilitative political regimes, namely the involvement of local stakeholders in the process of drawing up cooperation plans and rules. In contrast, one of the successful Hungarian agricultural cooperatives reached its highest point of cooperation after it was re-established in 1999 in its current form, a reorganisation that was done "in order to qualify for government support" (Ibid.: 232).

#### 6.4.2 The emergence of business coordination in complex manufacturing in the Viségrad countries

The final case study that will be examined in this chapter takes us away from the agri-food and tourism sectors, and concerns the unexpected emergence of business coordination in Central European complex manufacturing. Specifically, Hancké studied

the emergence of inter-firm coordination for the purpose of upgrading worker skills and supplier capabilities in the complex engineering sector of the Czech Republic, south-west Poland, western Slovakia and north-western Hungary. According to Hancké, these are all areas with “historically ‘thin’ (...) institutional environments”, where “states and private associations were weak” (2011: 3-4).

Hancké identifies as the main obstacle to cooperation among the relevant firms a classic coordination problem, where all firms would benefit if a collective good such as a suitable training system for workers existed, but none of them were willing to “initiate the production of the collective good in the first place”, as they preferred to benefit from the other firms’ contributions rather than making a contribution themselves (2011: 21). To give a concrete example, when the French car manufacturer PSA created a new plant in Trnava, Slovakia in order to benefit from “the positive network externalities associated with being a second-mover”, Volkswagen, which had already established a plant in the area and had already provided training to many local workers, had many of its workers poached by PSA (Ibid.: 22). In such a context, collective goods like training and technology transfer tend to be underprovided.

Yet, in this case, it turned out to be possible to provide the aforementioned collective goods, triggering a process of industrial upgrading that had important positive consequences for the local economy. The crucial institutional work for enabling coordination was conducted by a small number of multinational firms working together with the Chambers of Commerce of their respective country. Firstly, those multinational firms were able to use their domestic Chambers of Commerce in order to create the deliberative setting required to “allow actors to understand, even in one-shot games, how their collective goal can be furthered” (Hancké 2011: 9). Characteristically, Volkswagen

“used its close relations with the local German Chamber of Commerce to start conversations with the French Chamber first – thus opening indirect communication with PSA – and other Chambers, especially the Slovak and the American Chambers, afterwards. Once agreement on cooperation had been reached between the main companies, these Chambers then set out to organize a *de facto* industry-wide training system with them (...) using their local political clout to induce the local and national governments to fill in the institutional and policy holes.” (Hancké 2011: 22)

Secondly, the Chambers of Commerce of the multinational firms’ countries of origin were able to use their role as mediators in disputes between multinational companies and local suppliers – a service that they provide as a way to help firms avoid the delay and

unpredictability associated with going through the local court system – in order to impose sanctions on parties that reneged from the agreed arrangements regarding the provision of collective goods (Hancké 2011: 24).

Although Hancké’s case study is situated in a sectoral setting that is very different from the sectors that were examined in my dissertation, the story that he tells about the emergence of cooperation in Central European complex manufacturing contains all the key elements of my dissertation’s argument. Firstly, the emergence of coordination in the sector is inextricably linked with the institutional work performed by a small group of multinational firms. Secondly, in line with the argument put forward in Chapter 4, it was crucial that the multinational firms which acted as leading actors in the case were outsiders, as this enabled them to import cooperative solutions to joint problems from their countries of origin, and embed them in Central Europe in a way that made economic sense in light of the area’s productive resources. Thirdly, one can see the Chambers of Commerce of the multinational firms’ countries of origin as a type of externally provided facilitative institution that substantially reduced the difficulty of triggering coordination in the complex engineering sector of the Viségrad countries.

Overall, the two papers on the emergence of cooperation in the agri-food, tourism and complex engineering sectors of specific areas in Central and Eastern Europe indicate that one can plausibly argue that the key conclusions of this dissertation about the nature of the obstacles to cooperation, and the role and characteristics of leadership operating in a facilitative political regime in overcoming them, can also shed light on the emergence of cooperation in European post-socialist settings. Nevertheless, a more complete model about the emergence of cooperation in Central and Eastern Europe would also need to take into account the differences in the transition experiences and institutional set-ups of different post-socialist countries, which have important consequences in terms of facilitating coordination among economic actors in some countries, and fostering fragmentation in others (Bohle and Greskovits 2012).

## 6.5 Concluding remarks

At the end of our interview, a resident of Castel del Giudice concluded:

“That’s the thing with Castel del Giudice: all the activities that were born in Castel del Giudice, that are being born and that will be born, are things that can be done in many other places. It often happens that people tell me: ‘it’s because Castel del Giudice is a particular place’ – I say no: If you see Castel del Giudice from another point of view, it’s not ‘*mamma mia* how great are

you in Castel del Giudice, it's 'if you can do it in Castel del Giudice, you can do it anywhere.'" (interview #42)

While this view is a bit too voluntaristic, I have argued that the path to the emergence of cooperation among local stakeholders in Castel del Giudice is structurally similar to the path followed by local actors in my high-cooperation Greek case study areas. As my interviewee in Castel del Giudice mentioned, if this path is available in low-trust, institutionally thin settings like Greece, Southern Italy, and even Central and Eastern Europe, then there is a good case to be made that it should be expected to be available in other similar settings as well.

In particular, in fragmented economies where for a number of reasons the contextual conditions are unfavourable to the emergence of cooperation, a small group of motivated, highly skilled, boundary-spanning leading actors who have access to a domestically or externally provided facilitative political regime, should in principle be able to catalyse cooperation at the local level if they follow the appropriate strategies. I would expect this to be the case as long as the unfavourable contextual conditions are not insurmountable, as they would be, for example, in the presence of a civil war or of organised violent criminal networks with an interest in perpetuating the non-cooperative status quo. Moreover, I would expect the importance of the mechanism described in this dissertation to be smaller, but still not negligible, in settings where state institutions are so effective, and cooperative norms so deeply ingrained, that the institutional work required by leading actors to trigger cooperation is less costly. But particularly in the multitude of fragmented economies that fall within those scope conditions, it is plausible to argue that the path to cooperation outlined here should, in principle, be available and important for our understanding of the political economy of local development. Whether this is actually the case, and what other factors should be taken into account to modify or complete the model presented here in order to best suit different geographical and sectoral settings, remain open empirical questions.

# CHAPTER 7

## CONCLUSION

### 7.1 Summary of the findings

This dissertation set out to address the puzzle of the emergence of cooperation among economic actors in unfavourable settings. Cooperation is typically viewed in the literature as an outcome that can be achieved either in countries with an overarching framework of robust formal institutions, or in places with a cultural propensity towards trust-based relations. A framework of robust formal institutions allows states to act as effective third-party enforcers of the local actors' agreements, while a cultural propensity towards trust-based relations alleviates the difficulty of overcoming the obstacles to cooperation at the local level.

The idea that it is difficult for cooperation to emerge in the absence of those two conditions gives rise to pessimistic expectations about the potential for increased cooperation, and thereby also for economic upgrading, in many fragmented economies around the world. Several countries with fragmented ownership structures in the semi-periphery are considered to have neither robust formal institutions nor a cultural bent for cooperation. Nevertheless, on a number of occasions, sustained cooperative activities among economic actors can be observed, even in such unfavourable settings. This has profound implications for local economic development and, as a result, for averting the political alienation that often follows when people's economic life chances collapse in particular places.

In the most general formulation of my argument, I have addressed the puzzle of the emergence of cooperation in unlikely settings in two steps. Firstly, I have argued that the inheritance of cooperative cultural norms from the *longue durée* matters much less for the prospects of the emergence of cooperation than is presumed by some academics and policymakers. Instead, it is the observed patterns of behaviour by members of different classes of actors *in the recent past* that shape prevailing local-level informal institutions. By implication, those informal institutions are also subject to change in relatively short time periods. For cooperative norms to be introduced in places where they were previously absent, the crucial variable is leadership.

Secondly, I have pointed out that even in countries with weak formal institutional frameworks, economic actors may have access to externally provided institutional tools that facilitate cooperation. This can happen in a number of ways in different parts of the world. In the EU context, in sectors that fall at least in part under EU competence, the EU institutions themselves have the potential to act as “facilitative political regimes” (Ostrom 1990), by providing to local actors the tools required to collectively draw up and implement their own plans and rules for cooperation. Therefore, EU-provided sectoral institutional frameworks can at least in part make up for the lack of national-level facilitative political regimes in institutionally weaker member-states.

In order to substantiate this argument empirically, I adopted a comparative case study approach, and I exploited differences in the degree of observed cooperation among economic actors across time, across otherwise similar cases, and across sectors within an overall unlikely setting for the emergence of cooperation, namely Greece. In order to capture the degree of cooperation among economic actors, I collected information about the extent to which a set of sector-specific cooperative activities were observed in each case study area during the last 35 years. I summarised this information using as a heuristic device a cooperation score out of 10, where a score of 10 denoted a high degree of cooperation over time, and a score of 0 denoted that no cooperative activities had taken place in the local sector in question during the last 35 years. Table 3 in the introduction summarised the cooperation scores of my eight case studies.

Based on the argument that the emergence of cooperation in unfavourable settings requires both leadership of a particular type and access to a facilitative institutional framework, looking again at this summary information in Table 11 below, it is possible to explain the lower degree of cooperation in the case studies at the right-hand column compared to their matching pairs at the left-hand column as a result of deficits in local-level leadership. In turn, the lower extent of cooperation at the bottom two rows of the table, compared to the top two rows, can be attributed to a combination of a less facilitative overarching institutional framework applying in the tourism sector, and the greater dispersion of the benefits of cooperation in tourism due to sector-specific attributes.

**Table 10: Extent of cooperation in each case study area and summary of the reasons for the observed variation across the cases**

| Deficiencies in the sectoral institutional frameworks AND Benefits of cooperation shared among a larger number of actors | Leadership deficits → |                   |                      |                   |
|--|-----------------------|-------------------|----------------------|-------------------|
|  | High-cooperation case | Cooperation score | Low-cooperation case | Cooperation score |
|  | Santorini wine        | 9                 | Lemnos wine          | 5                 |
|  | Chios <i>mastiha</i>  | 9                 | Kozani saffron       | 5                 |
|  | Nymphaio tourism      | 8                 | Ambelakia tourism    | 4                 |
|  | Santorini tourism     | 5                 | Chalkidiki tourism   | 2                 |

**Note:** The cooperation score is a heuristic device that summarises the cumulative degree of cooperative activities in each case study since 1985. A score of 10 denotes a high degree of cooperation over time, while a score of 0 denotes no cooperation.

More specifically, I have argued that for cooperation to emerge in places where it was previously absent, a small group of boundary-spanning leading actors must perform three types of institutional work. Firstly, they must introduce cooperative informal and formal institutions, as well as project a vision that creates a conception of shared interest among actors at the local level. Secondly, they must disseminate new ideas about collective entrepreneurial strategies, particularly in cases where cooperation takes a highly innovative form. Thirdly, they must provide ways to cover part of the upfront costs of cooperation, which are often substantial. All three types of institutional work are necessary for local-level cooperation to emerge, but they cannot be performed endogenously in low-cooperation areas in the absence of a small group of leading actors. In turn, the leaders who successfully catalyse the emergence of cooperation at the local level tend to be translocally embedded, well-connected, highly skilled actors, who are motivated by a subjective conception of their self-interest as encapsulating the interests of others, place-based group altruism, or a combination of those self- and other-regarding preferences.

The presence of boundary-spanning leading actors who undertook the three aforementioned types of institutional work is the crucial feature that differentiates my high-cooperation case study areas from the low-cooperation case study areas within each pair of matching cases. In Santorini’s wine sector, an outsider winemaker working together with the management board and employees of the obligatory wine cooperative, many of whom were hybrid actors, catalysed vertical cooperation with the producers for



quality improvement. They did so by introducing new local-level cooperative institutions, particularly trust and price incentives for upgrading; by importing French wine-making techniques and adapting them to suit the local *Assyrtiko* grape varietal; and by covering the upfront costs associated with opening new markets for Santorini's wines. During the Eurozone crisis, a US wine importer and the wine cooperative took the lead in terms of supplying the idea for a collective marketing project in the US; accessing EU funding to subsidise its cost; and carving out marketing as an area of common interest among winemakers, whose relations are otherwise characterised by competition. At least partly as a result of this institutional work, Santorini's wine sector continued to grow throughout Greece's long economic crisis. In contrast, in Lemnos's wine sector, which was characterised by a dominance of insider actors for much longer, quality upgrading efforts started significantly later. In addition, in Lemnos there is still a remarkable deficit of leadership when it comes to triggering potentially highly beneficial forms of horizontal cooperation among the island's wineries.

The story of the rise of Chios's *mastiha* sector is analytically similar to the case of upgrading in Santorini's wine sector, with a difference of emphasis in the relative weight of the different types of institutional work that were required for cooperation to emerge in the two islands. This difference stems from the more radically innovative character of cooperative activities in the non-established agri-food sub-sector, namely *mastiha*, relative to wine. In Chios, the managers of the obligatory *mastiha* cooperative together with a hybrid actor whom they hired, catalysed the creation of a whole ecosystem of firms that started using *mastiha* as an input to produce a range of innovative products. They did so by supplying a range of entrepreneurial ideas about the potential uses of *mastiha*; by projecting their vision about the potential of the *mastiha* sector in an effective and innovative way through a newly established series of *MastihaShops*; and by investing much costly effort to prove the cooperative's utility as a guarantor of the *mastiha*'s quality, which was crucial for forging a conception of shared interest with private agri-food firms. The Chios cooperative also established trust and a system of transparently enforced sanctions to trigger a process of quality improvement in raw *mastiha*. In contrast, in Kozani's saffron sector, which remains dominated by insiders, a sense of social fragmentation among the cooperative and private agri-food firms and an atmosphere of mistrust between the cooperative and the producers continue to dampen the sector's progress.

Nymphaio's remarkable rise as a winter tourism destination can also not be explained without taking into account the institutional work conducted by two hybrid actors, an entrepreneur who established the village's first two hotels, and the long-serving former President of the local commune. These two actors projected a vision for the development of Nymphaio through what they called "mild tourism", and a path for the achievement of that goal; they located funding from multiple sources in order to subsidise the provision of a range of public goods required to implement their vision; and they supplied positive and negative selective incentives to encourage the locals to contribute to the provision of public goods and punish non-cooperative behaviours, respectively. Unlike most of the leading actors in my other high-cooperation case studies, but like most leading actors in other remote villages like Castel del Giudice, the two leading actors in Nymphaio were not motivated principally by a broad conception of self-interest, but also by an other-regarding attachment to their place of origin. Compared to Nymphaio, Ambelakia is more inward-looking, and it suffers from lacking know-how, linking social capital and a concrete collective entrepreneurial plan for local development. These factors are exacerbated by perceived social divisions among different groups of actors. All of those weaknesses can be overcome, but for this to happen, leadership of a particular kind is required.

Finally, to the extent that coordination has been observed in Santorini's mass tourism sector, this has also been catalysed by the institutional work of a few boundary-spanning leading actors. A small group of outsider and hybrid entrepreneurs triggered broader processes of upgrading in Santorini by undertaking the cost of upgrading first. As a result, they generated demonstration effects which altered the other actors' mental models and provoked imitation. Moreover, the same group of actors, on occasion working with the former Mayor of Santorini, supplied the ideas, covered many of the costs and provided wider arenas for discussion to coordinate the creation of niche upscale markets such as wedding tourism, conference tourism and gastronomical tourism. These processes of upgrading and niche market creation resulted in higher per capita spending by tourists and a remarkable lengthening of Santorini's tourism season, compared to the rest of Greece. In contrast, in Chalkidiki's tourism sector, there are only few forces in operation to help overcome the public-good provision problems and sense of social fragmentation that inhibit a better management of the touristic product in the area. Indeed, the presence of a considerable share of outsider actors in the local tourism sector does not translate

into broad-based cooperation for upgrading, as the contact among insiders and outsiders remains minimal.

Regardless of the achievements of Santorini's tourism stakeholders, if one considers the low share of local economic actors involved in cooperative activities on the island, the frequent occurrence of opportunistic behaviours, and the failure to collectively address the challenge of overtourism, the degree of cooperation in Santorini's mass tourism sector remains clearly lower than that in my other three high-cooperation case studies. Indeed, it would be appropriate to characterise the extent of cooperative activities in Santorini's tourism sector as similar to the degree of cooperation in Lemnos's wine sector and Kozani's saffron sector, where a number of steps towards greater coordination have also taken place over time, but without ever resulting in sustained cooperation across the whole sector.

I have argued that the much greater difficulty of finding examples of clear-cut high-cooperation cases in the mass tourism sector compared to the agri-food sector, is in part related to differences in the two sectors' governance frameworks. Indeed, the institutional work of a small group of local-level leading actors alone cannot catalyse broad, sustained cooperation if it is not nested within a broader framework of facilitative overarching institutions. In the agri-food sector, such a facilitative framework is provided by the EU, which plays a crucial role in the governance of the European agricultural sector. In particular, the Common Agricultural Policy provides a set of carefully designed tools that encourage local actors to define their own cooperation plans and rules. Crucially, it also requires member-states to set up administrative structures that enable the enforcement of those locally defined rules, thereby making up for what is arguably the single biggest deficiency of institutionally weak states, namely their lack of enforcement capacity. At the same time, by generously subsidising cooperative activities, the Common Agricultural Policy provides to local actors opportunities to discover that cooperation can be beneficial, thereby dynamically opening up possibilities for even more ambitious forms of cooperation in the future.

Some – though not all – of these functions are also performed by the EU's regional policies, influencing positively the prospects for cooperation in the alternative tourism sector of remote, disadvantaged areas. In contrast, the overarching institutional framework in the mass tourism sector, which is defined almost exclusively at the national level, is characterised by all the deficiencies that one would expect to typically encounter in an institutionally weak state: hyper-centralisation, administrative incapacity,

incomplete implementation of the rule of law, an inadequate regulatory framework, and a lack of organisational vehicles to enable local actors to collectively take decisions about matters that affect them. The impact of those deficiencies on the prospects for cooperation is aggravated by sector-specific attributes, and particularly the large number of economic actors involved in the mass tourism sector, as well as the public-good character of most collective goods in the tourism industry. Cumulatively, those factors make it very difficult for broad-based, sustained cooperation to emerge in the mass tourism sector, regardless of the efforts and institutional work conducted by a small group of leading actors.

Beyond my four pairs of matching case studies in Greece, I examined the emergence of cooperation among economic actors in two case study areas in Southern Italy and in selected settings in Central and Eastern Europe. I did so in an attempt to explore whether my argument about the role of boundary-spanning leading actors operating in the framework of a facilitative political regime could travel to other similar geographical areas, and indeed I identified remarkably similar patterns as those observed in Greece. If the path to cooperation outlined in this dissertation can shed light on occasions where cooperation among actors emerged, against the odds, in Greece, Southern Italy, and even in some post-socialist settings, then a good case can be made that its relevance may also extend to other fragmented economies around the world. The argument of the dissertation is expected to be applicable as long as no insurmountable aggravating factors are in place, such as a civil war or the operation of organised, violent criminal networks with an interest in perpetuating the non-cooperative status quo. Moreover, I expect the argument's relevance to decrease, but not disappear, in settings with highly effective state institutions or deeply ingrained cooperative norms, where the cost of the institutional work required to initiate a cooperative effort is comparatively small. Nevertheless, many economies with fragmented ownership structures fall within those scope conditions, and in such places, the path to cooperation outlined in this dissertation can contribute to our understanding of the political economy of local development.

## **7.2 Implications for the academic literature**

### **7.2.1 Studying the emergence of cooperation and processes of institutional change**

As a detailed study of why, when and how local-level cooperative institutions emerge in places where they were previously absent, this dissertation has implications for the way in which we approach the question of institutional change more generally. This

is important because despite the contribution of highly sophisticated analyses of the constraining nature of institutions by the neo-institutionalist literature, our understanding of institutional innovation remains overall less advanced (Crouch 2005: 3). This observation also holds for the cooperation literature, which has provided valuable and highly influential insights about the nature of the local-level institutional tools that economic actors have used to overcome the obstacles to cooperation in a variety of settings, but is generally thinner when it comes to explaining under what conditions those institutional tools are supplied in the first place.

My dissertation proposed putting the concept of leadership at the centre stage of our analysis of the supply of local-level cooperative institutions. Following a similar approach as Crouch (2005), I sought to contribute to our understanding of institutional change by developing a theory of action within the constraints of structure. On the one hand, I proposed that by systematically studying the concrete types of institutional work that leading actors undertake in order to reshape institutions, it is possible to observe recurrent patterns. Based on those recurrent patterns, one can abstract from the particular cases at hand and reconstruct the mechanisms of institutional change towards a cooperative equilibrium at a higher level of generality. On the other hand, I argued that an examination of the characteristics and motivation of the leading actors, as well as the place-based features that they draw on in order to be in a position to successfully catalyse institutional change, can help us move away from a view of leadership and institutional change as purely random phenomena. Instead, institutional change can be viewed as being to an extent linked to particular features of place, even though the local availability of well-endowed and also suitably motivated leading actors also entails an important stochastic element.

Beside contributing a theory about the supply of local-level cooperative institutions, my argument has two other important implications for the cooperation literature. Firstly, based on a broad conception of rational action, I took a more expansive view of the nature of the obstacles to cooperation than is typical of many studies of cooperation. Specifically, I argued that in order to understand the constraints that economic actors face in pursuing mutually beneficial cooperative activities, it is important to take into account both cognitive obstacles, which arise when the relevant actors face true uncertainty regarding the strategies that are available to them and their expected payoffs, and classic collective action problems, where actors have the cognitive capacity to engage in best-response maximization, but in pursuing their individual utility-

maximizing responses, they fail to produce socially optimal outcomes. Those two types of obstacles must be resolved sequentially for cooperation to emerge. I have shown that although the relative importance of the two types of obstacle varies depending on the characteristics of the cooperative activity in question, more often than not, both must be addressed by the actors involved in novel cooperative efforts. Therefore, in order to understand under what conditions cooperation emerges in unfavourable settings, entrepreneurial discovery, processes of forging a shared conception of interest, and the resolution of hold-up problems, public-good provision problems, coordination problems and distributional conflicts must be studied not in isolation, but jointly. More generally, both cognitive obstacles to cooperation and collective action problems are relevant for understanding how cooperation can emerge in a range of sectoral and geographical settings.

Moreover, I have argued that not only can local-level cooperative institutions be created within relatively short time periods, but their creation is most likely to be spearheaded by actors who are in some way outsiders to the area in question, whether they are locals with significant translocal experience or non-local settlers. Actors who are in some way outsiders have a broader repertoire of institutional solutions and entrepreneurial ideas to draw on, which they can innovatively recombine with local strengths and local ways of doing things. Such actors are thereby uniquely well placed to catalyse cooperative upgrading processes. This argument depicts the role of translocal links and outsider or hybrid actors as not only compatible with, but also essential to the emergence of cooperative efforts, a point that is not typically recognised in the cooperation literature, which often portrays cooperation as a phenomenon that most easily arises in tightly-knit, stable and homogeneous communities. Instead, I portray the emergence of cooperation as a phenomenon that is more likely to happen in translocally embedded, socially mobile, dynamic societies. Indeed, a systematic and micro-founded examination of the emergence of cooperative institutions reveals that not only can shared conceptions of interest and cooperative norms emerge among heterogenous actors whose interaction started in the recent past, but also that it is precisely such actors who are best placed to innovatively recombine elements of diverse institutional frameworks, allowing cooperation to emerge in unfavourable circumstances.

### 7.2.2 Studying the political economy of local economic development

The importance of cooperation and increasingly also of institutions is frequently acknowledged in studies of local economic development in a variety of disciplines (e.g. see Rodríguez-Pose and Storper 2006; Gertler 2010). I suggest, and I hope that my thesis demonstrates, that the concepts and theoretical models of political economy, including on formal and informal institutions, institutional change, governance, collective action problems, clientelism and beyond, have the potential to make an important contribution to our understanding of how cooperation and well-designed institutions can be supplied in places where they were previously absent. A number of studies in political economy have significantly advanced our knowledge of those subjects, including, among others, McDermott's (2007) study of upgrading in the Argentinian wine industry, Hancké's study of endogenous coordination in the Central European complex engineering sector, and Bruszt and McDermott's (2014) book on transnational regulatory integration and development. By systematically analysing the emergence of local-level cooperative institutions, which are of central importance for upgrading in fragmented economies, my dissertation highlighted a particular type of path towards local economic development in unfavourable settings, aspiring to make a contribution of a similar type. Nevertheless, without doubt, there remains a considerable untapped potential for cross-fertilization among disciplines in the study of the political economy of local economic development.

The potential for inter-disciplinary cross-fertilisation concerns not only the use of concepts and theoretical models, but also methods. Drawing on the tradition of comparative politics, my dissertation's comparative case study approach allowed me, on the one hand, to combine analysis at the micro and macro levels, to examine the configurations of factors that allowed local stakeholders to overcome the obstacles to cooperation, and to study the mechanisms through which local-level cooperative institutions were supplied. On the other hand, by complementing within-case with across-case analysis, I was able to distinguish features that were analytically relevant from elements that were case specific, thereby making an argument with wider relevance.

Given the multiplicity of factors that must converge for institutional change to take place and the non-linear way in which those factors typically interrelate (Goertz and Mahoney 2012: chapter 4), I would suggest that it is very difficult to understand the emergence of cooperation and the supply of well-designed institutions without conducting any qualitative case study analysis. At the same time, comparative case study

analysis can sometimes give rise to theoretical propositions that are testable quantitatively, such as with regard to the place-based characteristics that are associated with the emergence of cooperation. In the Appendix to Chapter 4, I propose a way to begin conducting such a quantitative analysis, on which it is possible to build using additional data. Overall, there is much scope for productive collaboration among scholars coming from different methodological traditions, who can utilise the strengths of their methodological tools to approach the study of the political economy of local development from complementary angles.

Political scientists and political economists also have much to gain from greater collaboration with economic geographers and other scholars who have long studied local economic development as an outcome in itself. Recent electoral outcomes have made it increasingly apparent that profound political instability can be triggered by the collapse of people's economic life chances not only along the lines of social class, but also along the lines of place (Jennings and Stoker 2019; Rodrik 2018). Economic geographers have built sophisticated models explaining how the internationalisation of the economy affects areas with different characteristics, and what types of factors and interventions can mitigate those effects (see Capello 2016). Should the interest of political scientists in the effects of "place" on political behaviour persist, then the study of the factors that influence economic performance and economic distribution at the local level must also acquire a more central position in the discipline.

### 7.2.3 Studying how the EU reshapes domestic governance arrangements

Finally, by combining a micro-level analysis of the effects of the institutional work conducted by a small group of leading actors with an analysis of the implications of macro-level sectoral frameworks for the prospects of cooperation at the local level, my dissertation proposes a novel angle from which to study the daily operation of EU regulatory and expenditure policies.

Political scientists often approach the EU's agricultural and regional policies as pure rent-allocation arrangements or mere side-payments for the acceptance of policies in other fields. Instead, I analysed the EU's ordinary expenditure and regulatory policies through the prism of the concept of facilitative political regimes, and argued that in sectors that partly fall under the EU's competence, EU policies have the potential to help reshape domestic governance arrangements in a way that reduces the barriers to local-level cooperation. As a result, the EU's policy frameworks can be seen as structural



constraints which, in interaction with the micro-level processes associated with the institutional work of local stakeholders searching for new degrees of freedom, shape the available opportunities for local institutional innovation. In other words, there is a considerable scope to enrich our analysis of the EU's regulatory and expenditure policies by studying them not just in terms of their place in national- and EU-level political bargaining, but also in terms of the effects that they have on the ground when actors deploy the resources and rules as tools associated with those policies to either reinforce the local-level institutional status quo or catalyse institutional change.

Moreover, my analysis of EU policies as overarching institutional frameworks that have the potential to encourage local-level cooperation, implies that facilitative political regimes can also be supplied by other actors than the national government. This argument can be made not only with reference to the EU, but also in the context of other "transnational integration regimes" (Bruszt and McDermott 2012), development aid programmes, and perhaps even private certification arrangements. In analysing the strength or weakness of overarching institutional frameworks, political economists typically focus on domestic rather than supranational institutions: if a state has weak national institutions, the prospects of cooperation are considered dim. The literature on the EU's role in fostering reforms to improve domestic economic performance constitutes a partial exception to this trend, but it tends to focus on the role of conditionality in the context of the accession process or of externally imposed reforms during crisis, rather than the governance implications of the daily operation of EU policies. By analysing the effects on local-level governance arrangements of the full range of domestic, supranational and transnational institutional frameworks that can function as facilitative political regimes, we can improve our understanding of how to foster cooperation for upgrading in fragmented economies. One way in which future studies can contribute to that end is by examining, through the study of carefully matched pairs of case studies, under what conditions local actors sometimes successfully deploy the tools of overarching policy frameworks to catalyse positive local-level institutional change *in different types of regions*. Such an analysis would have the potential to enable us to design macro-level policies that are better tailored to regions with different types of actors and resources, facing different types of obstacles.

### 7.3 Policy implications

As the preceding discussion suggests, my dissertation's analysis at two levels (micro and macro) also yields a number of policy implications. Indeed, some of the favourable conditions for the emergence of local-level cooperation analysed in the dissertation can be created directly through policymaking and policy implementation. On the other hand, it is important to note from the outset that the emergence of cooperation in unfavourable settings also relies crucially on spontaneous patterns of interaction among a range of stakeholders which cannot be forced upon the relevant actors from the top, but can only be influenced in indirect, long-term ways.

What policymakers can influence in a direct way is the structure of the overarching institutional frameworks within which local-level patterns of interaction are nested. I have argued that the concept of facilitative political regimes can usefully inform policy and institutional design for the promotion of local development in economies with fragmented ownership structures. Facilitative political regimes create "collective-choice arrangements" (Ostrom 1990: 93) where economic actors can draw up their own plans for cooperation and define the rules governing their interaction; they provide institutional structures that make it easier to enforce those rules; and they subsidise the upfront costs of cooperative activities. Facilitative overarching institutions do not prevent new entrants in the market, as diversity and competition are characteristics of a thriving local economy: they do, however, create a framework that incentivises or compels new entrants to abide by previously agreed local rules of cooperation, and that deters them from opportunistically benefiting from local collective goods while undermining their provision. In so doing, facilitative political regimes considerably reduce the difficulty of overcoming the obstacles to cooperation at the local level. Indeed, being nested in an overarching institutional framework that is to some extent facilitative can be considered as a necessary condition for cooperation to emerge among more than a minimal number of economic actors.

If, as I have argued, overarching institutional frameworks that operate as facilitative political regimes can be provided not only at the domestic, but also at the transnational level, then the design principles of facilitative political regimes can usefully inform policymaking in transnational integration institutions such as the EU, as well as in a range of public or private institutions aiming to promote inclusive economic development. Many of the EU's policies have long aimed to foster network-formation

and cooperation among local stakeholders and have on several occasions done so successfully. Nevertheless, the concept of facilitative political regimes as it was introduced by Ostrom, developed through meticulous empirical analysis in this dissertation, and as it will further evolve through future studies, can provide insights about ways to achieve those goals more effectively in the future through well-designed policies for rural development, industrial transition, and the promotion of innovation in low- as well as high-tech sectors. Moreover, it is interesting to note that even though the promotion of cooperation among economic actors in the agri-food sector is only an indirect aim of the EU's Common Agricultural Policy (CAP), several aspects of the CAP satisfy more of the characteristics of facilitative political regimes than is typical of the EU's regional policies. While different sectors are governed differently and regulatory frameworks cannot simply be copied from one sector to another, considering the effects of both agricultural and regional politics on the prospects for local-level cooperation using a common theoretical framework can contribute to the aim of making the agricultural and regional policies work "in tandem for cohesion" (Crescenzi *et al.* 2015).

Naturally, the governments of institutionally weak states can also implement improvements in domestic institutional frameworks to facilitate local-level cooperation and thereby foster local economic development. The difficulty is that lobbying the government for the adoption of facilitative institutional frameworks requires of small firms and small producers to have precisely the capacity for organisation and coordination that they lack, and that facilitative overarching institutions can help them acquire. Nevertheless, institutional reform to facilitate cooperation among economic actors is of paramount importance for upgrading and inclusive economic development in fragmented economies, and should therefore be part of any economic policy programme pursuing those aims. By suggesting this, I am not contesting the argument that in highly fragmented economies, an increase in the share of large firms is also important for economic development: I think that this is true, though it is truer in some sectors than in others. But be that as it may, fragmented economies are unlikely to shed their dependence on small firms overnight. As a result, considering ways to empower economic actors to jointly develop new upgrading capabilities remains imperative for inclusive economic development in countries with many small firms and small farms.

In the case of Greece, an important priority to make the domestic framework of overarching institutions more facilitative for cooperation is to increase the state's capacity to assist in the implementation of the rules, not only through judicial reform but also by

setting up adequate administrative structures. Among the many problems that it creates, the widespread non-implementation of the law in Greece generates powerful incentives for opportunistic behaviour and it undermines any cooperative efforts that may bring small economic actors under the radar of the state. As was seen in Chapter 5, by providing a series of important benefits to well-defined and well-monitored groups of cooperating actors, the EU's Protected Designation of Origin system helps to alleviate this problem in the agri-food sector. Thinking creatively about how to replicate this result in other spheres of economic life is important for fostering cooperation in more sectors. Additionally, Greece must think of ways to provide collective-choice arenas where economic actors can collectively take decisions about matters that affect them, thereby reducing somewhat the hyper-centralisation of decision-making. The challenge here is to successfully encourage broad-based participation in such collective-choice arenas and shield them from being taken over by party politics and clientelistic networks. An examination of the institutional models followed in robust coordinated economies with many small and medium-sized firms could be useful in this regard. Finally, it would help if Greece established a more transparent process for accessing specific regulatory tools that permit the adoption of locally applicable rules, such as architectural protection legislation. This would somewhat reduce the dependence of local cooperative efforts on the availability of linking social capital and make facilitative regulatory tools more widely accessible in the country.

While facilitative overarching institutional frameworks can be created as a matter of policy design, policymakers cannot simply supply places with successful leading actors. What enables leading actors to catalyse local cooperation is a set of multifaceted local and translocal experiences and webs of relationships, combined with a self- or other-regarding motivation to not only succeed entrepreneurially, but to also carry along an entire local sector in that success. Those elements cannot be imposed from above or created from scratch, but they occur spontaneously, more often so under certain conditions than under others. Nor is it appropriate to simply recommend that “donors” should “identify actors who actually are in an adequate position to act as leaders” and provide them with support (Hurrelman *et al.* 2006: 240). More often than not, policymakers and administrators will find it hard to distinguish between suitably equipped and motivated potential leaders, and actors who lack the capacity and motivation to trigger cooperation for upgrading. The most policymakers can do to directly assist leading actors is to provide a facilitative political regime that makes it easier to

undertake the institutional work required for catalysing cooperation. Beyond this, it could be useful for policymakers to be aware of the role of leadership in catalysing cooperation in unfavourable settings, though they should also take precautions to ensure that the benefits of government-supported projects are not captured by a small sub-group of actors, but are broadly distributed in the local sector in question (Locke 2002: 129).

Nevertheless, the policy implications of the centrality of leadership for the emergence of cooperation in unfavourable settings principally have to do with indirect ways of increasing the chances that a critical mass of leading actors will be available in particular places in the long term. This can be achieved by promoting the place-based characteristics associated with the availability of local leading actors, and especially by fostering the formation of translocal links among the inhabitants of particular locations and outside actors, and by ensuring that opportunities for social mobility are well distributed across space. While there is a good chance that many actors who will benefit from these networks and opportunities will leave their place of residence to seek better life chances elsewhere, a few may set it as their goal to show that a different path to prosperity is possible in their area, which requires synergies. Ultimately, this is how cooperation can begin to emerge against the odds.

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## APPENDIX A: INTERVIEW INDEX

|  | Position   | Duration              | Location                                | Date         | Time  |
|--|--|-----------------------|---|--------------|-------|
| <b>A) Mani - Olive Oil</b>               |  |                       |   |              |       |
| 1  | Founder of the Bläuel firm                                     | 1.5 hours             | Bläuel factory, Lefktro Messinias       | 12 July 2017 | 12.30 |
| 2  | Employee at the Bläuel firm                                    | 1 hour                | Bläuel factory, Lefktro Messinias       | 13 July 2017 | 11.00 |
| <b>B) Chalkidiki – Table olives</b>      |  |                       |   |              |       |
| 3  | Producer of table olives                                       | 25 minutes            | Office of the local cooperative         | 18 Aug. 2017 | 10.00 |
| 4  | Producer, founder of a new cooperative                         | 10 minutes            | Office of an agronomist, Olinthos       | 18 Aug. 2017 | 10.35 |
| 5  | President of a first-degree cooperative                        | 50 minutes            | Office of the local cooperative         | 22 Aug. 2017 | 12.00 |
| 6  | Producer of table olives and olive oil                         | 40 minutes            | Producer’s house, Kalives               | 22 Aug. 2017 | 13.30 |
| 7  | One of the founders of the “Kalantzis Olives” firm             | 10 minutes            | Company shop, Kalives                   | 22 Aug. 2017 | 14.45 |
| <b>C) Crete – Olive oil</b>              |  |                       |   |              |       |
| 8  | Employee at the firm “Latzimas S.A.”                           | 35 minutes            | Latzimas factory, Rethimno              | 31 Aug. 2017 | 14.00 |
| 9  | Member of the management team of a second-degree cooperative   | 1 hour and 15 minutes | Office of the second-degree cooperative | 1 Sept. 2017 | 9.40  |
| 10                                       | Producer who is part of Bläuel’s <i>Naturland fair</i> network | 10 minutes            | Village coffeeshop, Asimi Irakliou      | 1 Sept. 2017 | 12.00 |
| 11                                       | Producer of olive oil and table olives                         | 1 hour                | Producer’s house, Chania                | 4 Sept. 2017 | 19.15 |
| 12                                       | Producer of olive oil  | 1 hour                | Producer’s house, Chania                | 5 Sept. 2017 | 20.00 |
| <b>D) Nymphaio – Alternative tourism</b> |  |                       |   |              |       |
| 13                                       | Yannis Boutaris, founder of the first hotels in Nymphaio       | 1.5 hour              | Mr. Boutaris’ house, Chalkidiki         | 8 Aug. 2017  | 11.30 |
| 14                                       | Nikos Mertzos, President of the Nymphaio Community, 1995-2008  | 1 hour                | Mr. Mertzos’s house, Nymphaio           | 23 Aug. 2017 | 11.00 |
| 15                                       | Nymphaio’s village priest since 2000                           | 50 minutes            | Church of Nymphaio                      | 23 Aug. 2017 | 19.30 |
| 16                                       | Yorgos Boutaris, current Secretary of the Nymphahio Community  | 30 minutes            | Office of the Community of Nymphaio     | 24 Aug. 2017 | 10.30 |
| 17                                       | Hotel owner in Nymphaio  | 25 minutes            | Hotel in Nymphaio                       | 24 Aug. 2017 | 18.30 |

| Position  | Duration   | Location              | Date   | Time          |       |
|---|--|-----------------------|--|---------------|-------|
| <b>E) Chalkidiki – Beach tourism</b>            |  |                       |  |               |       |
| 18  | Owner of a camping business in Sithonia  | 15 minutes            | Camping business, Sithonia                                     | 7 Aug. 2017   | 17.15 |
| 19  | General manager of a camping business in Sithonia  | 15 minutes            | Camping business, Sithonia                                     | 7 Aug. 2017   | 17.45 |
| 20  | Director of a camping business in Sithonia   | 25 minutes            | Camping business, Sithonia                                     | 20 Aug. 2017  | 11.00 |
| 21  | President of the “Ammon Zeus” and “Kassandros” rental room associations                        | 1 hour                | Rental rooms business, Kallithea                               | 9 Aug. 2017   | 10.00 |
| 22  | Owner of rental rooms, Kallithea   | 25 minutes            | Rental Room business, Kallithea                                | 9 Aug. 2017   | 11.30 |
| 23  | Owner of rental rooms, Kallithea   | 15 minutes            | Rental Room business, Kallithea                                | 9 Aug. 2017   | 12.15 |
| 24  | President of the Hotel Association and Tourism Organisation of Chalkidiki                      | 45 minutes            | Hotel in Psakoudia   | 11 Aug. 2017  | 11.30 |
| 25  | Owner of a large hotel in Psakoudia  | 20 minutes            | Hotel in Psakoudia   | 17 Aug. 2017  | 19.20 |
| 26  | Owner of a hotel near Vourvourou   | 30 minutes            | Hotel near Vourvourou  | 16 Aug. 2017  | 18.30 |
| 27  | Owner of a hotel in Vourvourou   | 10 minutes            | Hotel in Vourvourou  | 21 Aug. 2017  | 11.30 |
| <b>F) Santorini – Wine and tourism (part A)</b> |  |                       |  |               |       |
| 28  | Markos Kafouros, President of the Santo Wines Cooperative and Vice-Mayor of Santorini          | 45 minutes            | Santo wines oenotourism centre, Santorini                      | 15 April 2018 | 19.00 |
| 29  | Marketing Manager at the Santo Wines Cooperative   | 1 hour                | Santo Wines offices, Santorini                                 | 16 April 2018 | 10.00 |
| 30  | Oenologist at a private Santorini winery and winemaker   | 1 hour                | Coffeeshop near Pyrgos, Santorini                              | 16 April 2018 | 12.00 |
| 31  | Grape producer   | 1 hour and 30 minutes | Producer’s house, Megalochori, Santorini                       | 16 April 2018 | 14.00 |
| 32  | Two grape producers  | 50 minutes            | Coffeeshop, Pyrgos, Santorini                                  | 17 April 2018 | 11.10 |
| 33  | Oenologist and Sales Representative at a private Santorini winery                              | 1 hour                | Private winery, Santorini                                      | 17 April 2018 | 13.00 |
| 34  | Winemaker and oenologist at a private Santorini winery   | 45 minutes            | Private winery, Santorini                                      | 17 April 2018 | 14.30 |
| 35  | Founder of the Selene Restaurant   | 45 minutes            | Selene Restaurant, Pyrgos                                      | 17 April 2018 | 19.00 |
| 36  | General Director of the of the Santo Wines Cooperative   | 30 minutes            | Santo Wines offices, Santorini                                 | 18 April 2018 | 9.15  |
| 37  | Employee at the Santorini branch of the Agriculture Directorate of the Ministry of Agriculture | 1 hour and 30 minutes | Offices of the Santorini branch of the Agriculture Directorate | 19 April 2018 | 9.45  |

| Position   | Duration  | Location              | Date  | Time               |
|--|---|-----------------------|---|--------------------|
| <b>G) Castel del Giudice – Alternative tourism</b> |   |                       |   |                    |
| 38   | Giuseppe Cavaliere, former Mayor of Castel del Giudice                                | 1 hour and 45 minutes | Borgo Tufi hotel, Castel del Giudice                            | 1 July 2018 10.30  |
| 39   | General Manager of <i>Melise</i>  | 1 hour                | <i>Melise</i> , Castel del Giudice                              | 3 July 2018 10.30  |
| 40   | Lino Gentile, Mayor of Castel del Giudice   | 40 minutes            | Town hall, Castel del Giudice                                   | 4 July 2018 12.00  |
| 41   | Producer and one of the founding members of <i>Melise</i>                             | 1 hour                | Central square, Castel del Giudice                              | 4 July 2018 18.15  |
| 42   | President of the Artemisia co-operative, employee at the SPRAR programme for refugees | 1 hour and 30 minutes | Central square, Castel del Giudice                              | 4 July 2018 20.00  |
| 43   | Co-owner of the town's only functioning hotel   | 25 minutes            | Borgo Tufi hotel, Castel del Giudice                            | 5 July 2018 8.30   |
| 44   | Director of the Local Action Group "Alto Molise"                                      | 35 minutes            | Municipal centre, Agnone  | 5 July 2018 11.30  |
| 45   | President of the Local Action Group "Alto Molise"                                     | 35 minutes            | Municipal centre, Agnone  | 5 July 2018 12.15  |
| 46   | Co-founder of a local company in the agri-food sector                                 | 50 minutes            | Skype   | 6 July 2018 15.00  |
| <b>H) Ambelakia – Alternative tourism</b>          |   |                       |   |                    |
| 47   | Konstantinos Tsergas, Vice-Mayor of the Municipality of Tempi                         | 40 minutes            | Town Hall of the Tembi Municipality, Makrichori                 | 16 July 2018 9.50  |
| 48   | President of the Museum of Folklore and History of Ambelakia                          | 50 minutes            | Museum of Folklore and History, Ambelakia                       | 16 July 2018 13.00 |
| 49   | Sotiris Kourias, Owner of the town's only functioning hotel                           | 40 minutes            | Hotel Kouria, Ambelakia   | 16 July 2018 16.00 |
| 50   | President of a local association  | 1 hour and 30 minutes | Hotel Kouria, Ambelakia   | 16 July 2018 19.00 |
| 51   | President of a local association  | 1 hour                | Coffeeshop at the central square of Ambelakia                   | 20 July 2018 15.30 |
| <b>I) Kozani – Saffron</b>                         |   |                       |   |                    |
| 52   | Entrepreneur in the aromatic plants sector  | 25 minutes            | Entrepreneur's house  | 17 July 2018 19.00 |
| 53   | Emmanouil Patsilias, former President of the Saffron cooperative                      | 1 hour and 30 minutes | Offices of the Regional Development Agency of Western Macedonia | 18 July 2018 9.30  |
| 54   | Saffron producer  | 1 hour and 20 minutes | Producer's house, Krokos  | 18 July 2018 17.30 |
| 55   | Director of the Saffron cooperative   | 20 minutes            | Saffron cooperative, Krokos                                     | 19 July 2018 10.30 |
| 56   | Lefteris Ioannidis, Mayor of Kozani   | 30 minutes            | Town Hall of Kozani   | 19 July 2018 17.00 |
| 57   | Co-owner of a company that makes agri-food products with saffron                      | 40 minutes            | Company's factory   | 19 July 2018 21.30 |

| Position  | Duration   | Location              | Date  | Time                |
|---|--|-----------------------|---|---------------------|
| <b>J) Chios – Mastiha</b>                       |  |                       |   |                     |
| 58  | Yannis Mandalas, CEO of Mediterra SA, the <i>Mastiha</i> cooperative's subsidiary                  | 1 hour and 15 minutes | Offices of Mediterra SA, Athens                       | 12 July 2018 10.00  |
| 59  | Alternate Director at the <i>Mastiha</i> cooperative   | 50 minutes            | Offices of the <i>Mastiha</i> cooperative, Chios Town | 23 July 2018 9.00   |
| 60  | Former Director of the <i>Mastiha</i> cooperative  | 50 minutes            | Coffeeshop at Chios Town                              | 23 July 2018 12.00  |
| 61  | <i>Mastiha</i> producer, former President of a first-degree cooperative                            | 30 minutes            | Coffeeshop at Pyrgi, Chios                            | 23 July 2018 17.30  |
| 62  | Employee at the <i>Mastiha</i> cooperative, responsible for quality control                        | 30 minutes            | Factory of the <i>Mastiha</i> cooperative, Kardamada  | 19 July 2018 9.00   |
| 63  | Kostas Ganiaris, Former President of the <i>Mastiha</i> Cooperative (1994-2011)                    | 50 minutes            | Interviewee's office, Chios town                      | 24 July 2018 10.30  |
| 64  | <i>Mastiha</i> producer  | 50 minutes            | Interviewee's office, Chios town                      | 24 July 2018 16.30  |
| 65  | Dimitris Steinhauer, Founder and CEO of Concepts S.A., pioneer in <i>mastiha</i> liquor production | 30 minutes            | Offices of Concepts S.A., Athens                      | 17 Sept. 2018 13.30 |
| 66  | Aristeidis Belles, Former President of the <i>Mastiha</i> cooperative (1982-1987)                  | 40 minutes            | Interviewee's office, Athens                          | 18 Sept. 2018 10.00 |
| <b>K) Santorini – Wine and tourism (part B)</b> |  |                       |   |                     |
| 67  | Owner of a café  | 1 hour                | Café in Athens  | 10 April 2019 10.30 |
| 68  | Employee in the cruise industry, candidate Mayor   | 1 hour and 15 minutes | Café in Athens  | 12 April 2019 13.00 |
| 69  | Chef at the Selene restaurant  | 15 minutes            | Selene Restaurant, Pyrgos                             | 15 April 2019 11.00 |
| 70  | Owner of a hotel in Pyrgos, President of the cultural association of Pyrgos                        | 1 hour and 30 minutes | Café in Pyrgos  | 15 April 2019 17.00 |
| 71  | Paris Sigalas, wine-maker  | 45 minutes            | Sigalas winery, Oia                                   | 16 April 2019 12.00 |
| 72  | Christophoros Zorzos, producer and long-time President of the primary cooperative in Pyrgos        | 1 hour                | Pyrgos bakery   | 16 April 2019 17.30 |
| 73  | President and employees at the municipal company GEOTHIRA  | 40 minutes            | GEOTHIRA offices                                      | 18 April 2019 12.00 |
| 74  | Director at a hotel in Pyrgos  | 40 minutes            | Hotel in Pyrgos                                       | 18 April 2019 14.00 |
| 75  | Kostas Kostantinidis, owner of the hotel Heliotopos and pioneer of conference tourism in Santorini | 1 hour and 15 minutes | Delaunay café, London                                 | 30 Oct. 2019 13.30  |

| Position                | Duration   | Location              | Date  | Time         |       |
|-------------------------|--|-----------------------|---|--------------|-------|
| <b>L) Lemnos - Wine</b> |  |                       |   |              |       |
| <b>76</b>               | Dimitris Skalkos, Professor at the Food Science Department of the University of the Aegean in Lemnos | 1 hour                | Skype   | 26 Aug. 2019 | 14.30 |
| <b>77</b>               | Vice-President of the environmental association of Lemnos, Anemoessa                                 | 40 minutes            | Café in Myrina  | 30 Aug. 2019 | 10.00 |
| <b>78</b>               | Director of the wine cooperative   | 50 minutes            | Offices of the wine cooperative, Myrina               | 30 Aug. 2019 | 11.00 |
| <b>79</b>               | Oenologist at a private winery   | 40 minutes            | Winery premises                                       | 30 Aug. 2019 | 14.30 |
| <b>80</b>               | Owner and oenologist at a private winery   | 50 minutes            | Winery premises                                       | 31 Aug. 2019 | 12.00 |
| <b>81</b>               | President of the honey co-operative of Lemnos  | 1 hour and 15 minutes | Café in Myrina  | 31 Aug. 2019 | 15.00 |
| <b>82</b>               | Director of the General Chemical Laboratory of the state for the Lesvos prefecture                   | 1 hour                | Café in Myrina  | 1 Sept. 2019 | 11.00 |
| <b>83</b>               | Owner of a private winery  | 30 minutes            | Winery premises                                       | 1 Sept. 2019 | 15.00 |
| <b>84</b>               | Agronomist at the Lemnos local authorities   | 2 hours               | Office of the local authorities (Eparcheio) in Myrina | 2 Sept. 2019 | 10.00 |
| <b>85</b>               | Marketing manager at the Lemnos wine cooperative   | 45 minutes            | Offices of the wine cooperative, Myrina               | 2 Sept. 2019 | 15.00 |
| <b>86</b>               | Two grape producers in Agios Dimitrios   | 1 hour                | Their field in Agios Dimitrios                        | 3 Sept. 2019 | 8.30  |

## APPENDIX B: DOCUMENTARY, NEWS AND CASE-SPECIFIC SECONDARY SOURCES

| A) Chios – Mastiha  |                      |  |
|---------------------|----------------------|--|
| <b>S1</b>           | Secondary source     | Lioukas, S. (2013) ‘Συνεταιριστική Κοινωνική Επιχειρηματικότητα: Η Ανάπτυξη Δικτύου Καταστημάτων Λιανικής Πώλησης της Ένωσης Μαστιχοπαραγωγών Χίου και οι Επιπτώσεις της’ (‘Cooperative Social Entrepreneurship: The Development of a Network of Retail Shops of the Chios Mastiha Growers Association and its Consequences’), report. Athens: Economic University of Athens.  |
| <b>S2</b>           | Secondary source     | Tsouhlis, D. (2011) ‘Ένωση Μαστιχοπαραγωγών Χίου και Μαστιχοπαραγωγοί: Πολιτικές Διαχείρισης του Περιβάλλοντος και του Τοπίου μέσα από την διοικητική πολιτική της EMX (1939-1989)’ (‘Union of Mastiha Producers of Chios and Mastiha Producers: Policies for the Management of the Environment and the Landscape through the Administrative Policy of the Union of Mastiha Products of Chios (1939-1989)’), PhD dissertation. Mytilene: University of the Aegean. |
| B) Kozani - saffron |                      |  |
| <b>D1</b>           | Documentary evidence | Business Plan for the saffron cooperative written by the then President Emmanouil Patsilias in March 1999  |
| <b>D2</b>           | Documentary evidence | PDO application for the ‘Kozani saffron PDO’ designation, 24/2/1997.   |
| <b>D3</b>           | Documentary evidence | Annual report 2000’, information leaflet provided to by the Kozani saffron cooperative to its members ahead of the General Assembly meeting of 20/1/2001.  |
| <b>D4</b>           | Documentary evidence | ‘LEADER II examples – Kozani saffron’, information leaflet produced by the LEADER European Observatory, 1997.  |
| <b>N1</b>           | Local news           | <i>Kyriakatikos Chronos</i> newspaper, 2000-2004   |
| <b>N2</b>           | Local news           | <i>O Ptolemaios</i> newspaper, selected issues 2000-2012   |
| <b>S3</b>           | Secondary source     | Voutsina E. (1999) <i>Κρόκος – Σαφράν: Ιστορία και Μαγειρική (Saffron: History and Cuisine)</i> . Kozani: Kozani Saffron Cooperative.  |
| <b>S4</b>           | Secondary source     | Siampanopoulos K. (1993) <i>Ο νομός Κοζάνης στο χώρο και στο χρόνο: Φύση- Ιστορία- Παράδοση (The Kozani Prefecture in Time and Space: Nature – History – Tradition)</i> . Kozani: Association of Letters and Arts of the Kozani Prefecture.  |
| C) Santorini - wine |                      |  |
| <b>D5</b>           | Documentary evidence | Minutes of the meetings of the Santo Wines Cooperative’s General Assembly, 1984-2005   |
| <b>N3</b>           | Local news           | <i>Thiraika Nea</i> newspaper, 1982-1997   |
| <b>S5</b>           | Secondary source     | Venizelou, A. (2015) ‘Μελέτη των σταδίων του κύκλου ζωής της Ένωσης Θηραϊκών Προϊόντων – Santo Wines’ (‘Study of the stages of the life cycle of the Union of Cooperatives of Thera Products – Santo Wines’), Master’s dissertation. Athens: Agricultural University of Athens.  |
| <b>S6</b>           | Secondary source     | Iliopoulos, C. and I. Theodorakopoulou (2014) ‘Mandatory cooperatives and the free rider problem: the case of Santo Wines in Santorini, Greece.’ <i>Annals of Public and Cooperative Economics</i> 85(4): 663-681  |
| <b>S7</b>           | Secondary source     | Vlahos, G., P. Karanikolas and A. Koutsouris (2016) ‘Farming System Transformation as Transition to Sustainability: a Greek quality wines case study’. Paper presented at the 12th European IFSA Symposium, Newport, UK (12-15 July 2016).   |

| D) Lemnos - wine                  |                      |   |
|-----------------------------------|----------------------|---|
| <b>S8</b>                         | Secondary source     | Dimopoulos, T., G. Dimitropoulos and N. Georgiadis (2018) ‘The Land Use Systems of Lemnos Island’, Terra Lemnia Project/ Strategy 1.1./ Activity 1.1.1. Athens: Mediterranean Institute for Nature and Anthropos (MedINA).  |
| <b>S9</b>                         | Secondary source     | Kalmouti, S. (2014) ‘Οργάνωση και Λειτουργία της Ένωσης Αγροτικών Συνεταιρισμών Λήμνου του Νομού Λέσβου’ (‘Organisation and Operation of the Union of Agricultural Cooperatives of Lemnos of the Lesvos Prefecture’), Bachelor’s dissertation. Thessaloniki: Alexander Technological Educational Institute of Thessaloniki.   |
| <b>S10</b>                        | Secondary source     | Lagopoulos, A. (2016) ‘Τα Πολιτιστικά και Περιβαλλοντικά αποθέματα, ως εργαλεία οικονομικής και κοινωνικής “ανάπτυξης”, μέσα από το μοντέλο της κοινωνικής οικονομίας: Η περίπτωση του νησιού της Λήμνου’ (‘The Cultural and Organisational Reserves as Tools for economic and social “development”, through the model of the social economy: The Case of Lemnos’), Master’s dissertation. Patra: Greek Open University.        |
| <b>S11</b>                        | Secondary source     | Mimi, M. (2013) ‘Η Εφαρμογή της Κ.Π. LEADER για τη Λήμνο’ (‘The Implementation of the Community Initiative LEADER for Lemnos’), Master’s dissertation. Athens: Agricultural University of Athens.   |
| <b>S12</b>                        | Secondary source     | Bakalis, C. (2007) ‘Λήμνος: Οργάνωση του Αστικού Χώρου (19ος-20ος αιώνας), κοινωνικός μετασχηματισμός, μεταναστευτικά δίκτυα και αστικοί “αντικατοπτρισμοί”’ (‘Lemnos: Organisation of the Urban Space (19 <sup>th</sup> -20 <sup>th</sup> century), social transformation, migration networks and urban “reflections”’), PhD thesis. Mytilene: University of the Aegean.   |
| <b>S13</b>                        | Secondary source     | Chaska, E. (2018) ‘Διερεύνηση της Επίδρασης των Καιρικών Συνθηκών στη Δυνητική Μεταβλητότητα της Τιμής Ελληνικού Οίνου ΠΟΠ’ (‘Study of the Impact of Weather Conditions on the Potential Variability of the Price of Greek PDO Wine’), Master’s dissertation. Samos: University of the Aegean.  |
| E) Nymphaio – alternative tourism |                      |   |
| <b>D6</b>                         | Documentary evidence | Selected minutes of the meetings of the Nymphaio Commune, years 1991 and 2007.  |
| <b>D7</b>                         | Documentary evidence | ‘Νυμφαίον: Παραμύθι με Όνομα’ (‘Nymphaio: Fairy-tale with a Name’), information leaflet produced by the Municipal Company of Nymphaio in September 2007 and re-printed with some modifications by the Municipality of Amyntaio in 2012  |
| <b>D8</b>                         | Documentary evidence | ‘Νυμφαίον: Η αναγέννησή του σε Εικόνες’ (‘Nymphahio: Its revival in Images’), information leaflet produced by the Nymphaio Commune for an international conference on mild tourism in 2004.   |
| <b>D9</b>                         | Documentary evidence | ‘Τουρισμός: Αναψυχή, Ξενώνες, Εστίαση’ (‘Tourism: Entertainment, Guest houses, Food Provision’) and ‘Παραγωγικές Δραστηριότητες της Περιοχής: Τοπικά Προϊόντα και Εκδηλώσεις, Κτηνοτροφία, Αλιεία, Οινοποιία, Ενέργεια’ (‘Productive Activities of the Area: Local Products and Events, Animal-Herding, Fishing, Wine-making, Energy’), information leaflets produced by the Municipality of Amyntaio in 2017 [estimated date]. |
| <b>S14</b>                        | Secondary source     | Tsalkou, A. (2007) ‘Πορτραίτο Νυμφαίου: Πρότυπο Εναλλακτικού Τουρισμού’ (‘Portrait of Nymphaio: Paradigm for Alternative Tourism’), Bachelor’s dissertation. Thessaloniki: Alexander Technological Educational Institute of Thessaloniki.   |
| <b>S15</b>                        | Secondary source     | Kalfas, D. (2007) ‘Η ανάλυση της ελκυστικότητας του τουριστικού προορισμού ορεινών περιοχών, η περίπτωση της Κοινότητας Νυμφαίου Νομού Φλώρινας’ (‘Analysis of the attractiveness of touristic destinations of mountain areas: the case of the Nymphaio Commune of the Florina Prefecture’), Bachelor’s dissertation. Mytilene: University of the Aegean.   |
| <b>S16</b>                        | Secondary source     | Andrikopoulou, E., C. Kakderi, G. Kafkalas and A. Tasopoulou (2015) ‘Διαδρομές περιφερειακής ανθεκτικότητας: Επιπτώσεις της κρίσης και προοπτικές χωρικής ανάπτυξης στην Περιφέρεια Δυτικής Μακεδονίας’ (‘Itineraries of peripheral resilience: Impacts of the Crisis and Prospects for Spatial Development in the Periphery of Western Macedonia’), <i>Aeichoros</i> 20: 4-31.   |

| <b>F) Ambelakia – alternative tourism</b> |                      |  |
|---|----------------------|--|
| <b>D10</b>                                | Documentary evidence | ‘Ετήσιο Πρόγραμμα Τουριστικής Προβολής’ (‘Annual Programme of Tourism Promotion’), internal document produced annually by the Tembi Municipality, years 2016-2018.   |
| <b>D11</b>                                | Documentary evidence | Information leaflets on the ‘Centre of Cultural Heritage of Ambelakia’, the ‘Folk Art and Historical Museum of Ambelakia Larissis’, ‘Ambelakia of Thessaly’, and ‘The Cultural Heritage of Ambelakia: Rizari Programme’, collected at the Centre of Cultural Heritage of Ambelakia.  |
| <b>D12</b>                                | Documentary evidence | Conference proceedings of the ‘First Conference of Ambelakiot Studies, 13-15 August 1994’, organised by the Cultural Association of Ambelakia.   |
| <b>S17</b>                                | Secondary source     | Stroulias, P. (1998) <i>Τέμπε και Συνεταιρισμός Αμπελακίων: Καταβολές/ Ιστορία – Προοπτικές (Tembi and the Cooperative of Ambelakia: Origins/ History – Prospects)</i> . Larissa: Ella.  |
| <b>S18</b>                                | Secondary source     | Paradimitriou, Z. (2012) ‘Ηθική της διάσωσης και διαχείρισης της βιομηχανικής κληρονομιάς και του συνανήκοντος πολιτιστικού τοπίου ως φορέα της συλλογικής μνήμης: Η περίπτωση των θεσσαλικών Αμπελακίων’ (‘The Ethics of Rescuing and Preserving the Industrial Heritage and Relevant Cultural Landscape as a Carrier of Collective Memory: the Case of Ambelakia of Thessaly’), Master’s dissertation. Kalamata: University of the Peloponnese and National and Kapodistrian University of Athens. |
| <b>G) Santorini – mass tourism</b>        |                      |  |
| <b>D13</b>                                | Documentary evidence | ‘Οι δράσεις που πραγματοποιήθηκαν στο πλαίσιο της πρωτοβουλίας «2013 Έτος Γαστρονομίας στη Σαντορίνη»’ (‘The activities that were realised in the framework of the initiative “2013 Year of Gastronomy in Santorini”’), information leaflet of the Municipality of Thera   |
| <b>N4</b>                                 | Local news           | <i>Thiraika Nea</i> newspaper, 1982-1997   |
| <b>S19</b>                                | Secondary source     | Nikos Schmitt consulting firm (2019) ‘Master Plan της Πολιτιστικής Διαδρομής Σαντορίνης’ (‘Master Plan of the Cultural Itinerary of Santorini’), Deliverable A.2, project commissioned by Diazoma.   |
| <b>S20</b>                                | Secondary source     | Spilanis, Y. (2017) ‘Αποτύπωση της κατάστασης της τουριστικής δραστηριότητας και των επιπτώσεων της στον προορισμό, ανάλυση SWOT και εναλλακτικά σενάρια πολιτικής’ (‘Depiction of the Situation of Touristic Activity and its Impacts on the Destination, SWOT Analysis and Alternative Scenarios for Policy’), report. Mytilene: Tourism Observatory of Santorini, University of the Aegean.   |
| <b>S21</b>                                | Secondary source     | European Bank for Reconstruction and Development (2019) ‘Destination Management Plan for Santorini’, report. London: EBRD.   |
| <b>S22</b>                                | Secondary source     | Parageorgiou, M. and G. Pozoukidou (2014) ‘Οι παραδοσιακοί οικισμοί της Ελλάδας: ζητήματα χωροταξίας και προστασίας’ (‘The Traditional Settlements of Greece: Issues of Spatial Planning and Protection’), <i>Γεωγραφίες (Geographies)</i> 24: 107-125.  |
| <b>S23</b>                                | Secondary source     | Dekavallas, K. (2013) ‘Η αντισεισμική ανοικοδόμηση της Σαντορίνης 1956-1960’ (‘The earthquake-proof reconstruction of Santorini 1956-1960’), lecture at the Architectural School of the National Technical University of Athens, 21/3/2013.  |
| <b>S24</b>                                | Secondary source     | Polyvou, K. and K. Ritzouli (2014) <i>Αρχιτεκτονικές Επεμβάσεις Μικρής Κλίμακας σε Παραδοσιακούς Οικισμούς της Σαντορίνης: Το Παράδειγμα του Πύργου Καλλίστης (Architectural Interventions of Small Scale at Traditional Settlements of Santorini: The Example of Pyrgos Kallistis)</i> . Santorini: Thera Municipality.   |
| <b>S25</b>                                | Secondary source     | Danezis, M. (1940) <i>Σαντορίνη 1939-1940: Γενική έκθεση της γεωλογικής, ιστορικής, κοινωνικής, οικονομικής, τουριστικής και πολιτιστικής εν γένει εξέλιξως της νήσου (Santorini 1939-1940: General Exposition of the Geological, Historic, Social, Economic, Touristic and Cultural General Development of the Island)</i> . Athens: Publications office of A. Dialismas.   |



### H) Chalkidiki – mass tourism

|            |                      |  |
|------------|----------------------|--|
| <b>D14</b> | Documentary evidence | ΟΑΟΜ consulting firm (1977). ‘Χαλκιδική: Τεχνική Μελέτη Χωροταξικού Σχεδίου και Προγράμματος’ (‘Chalkidiki: Technical Study for a Spatial Planning Design and Programme’), Land Planning Study No. 3, 3 <sup>rd</sup> stage, archive of Konstantinos Gartzos.  |
| <b>S26</b> | Secondary source     | Gounaris, B. (2015). ‘Introduction’, in B. Gounaris (ed.) ‘Mines, Olives and Monasteries: Aspects of Halkidiki’s Environmental History’, project report. Thessaloniki: Epikentro Publishers and PHAROS books.  |
| <b>S27</b> | Secondary source     | Tsoulidou, E. (2013). ‘Βιώσιμη Τουριστική Ανάπτυξη και Παράκτιο Τοπίο. Η περίπτωση της Κασσάνδρας Χαλκιδικής’ (‘Sustainable Touristic Development and Coastal Landscape: The Case of Kassandra in Chalkidiki’), Master’s dissertation. Thessaloniki: Aristotle University of Thessaloniki.                                       |
| <b>S28</b> | Secondary source     | Deltsou, E. (2007). ‘Second Homes and Tourism in a Greek Village: A Travelogue’, <i>Ethnologia Europea: Journal of European Ethnology</i> 37(1-2): 124-133.  |
| <b>S29</b> | Secondary source     | Antoniou, G. (2015). ‘A Place of Inconceivable Beauty: The Housing Cooperative of the Professors of the Aristotle University in Vourvourou, Halkidiki’, in B. Gounaris (ed.) ‘Mines, Olives and Monasteries: Aspects of Halkidiki’s Environmental History’, project report. Thessaloniki: Epikentro Publishers and PHAROS books. |