



**A society is, however, not a better society  
just because it specifies that certain people  
are entitled to certain things.**

**Ronald M. Dworkin**

# The effect of public and private sectors on Greek cities

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## Abstract

Greek cities have been facing in the past two centuries the influences of two World Wars and a Civilian War, a dictatorship, Olympic Games and today an economic crisis. The role of the private and the public sector during these years was extremely important on every level. It configured the urbanization process on the regional level, the density of inhabitation on the urban level and the quality of the built environment on the architectural level.

The paper focuses on the role of the public and the private sector in urban planning since the declaration of the Greek state and its effect on the Greek urban environment. It investigates the way the public sector tried to manage facts that changed the physiognomy of the Greek cities, as the lack of a strict legislative framework combined with the insufficiency of controlling mechanisms and the creation of new infrastructures led to cities that had intense environmental and social problems. Finally, the paper focuses on the economic crisis and the role of the public sector in spatial planning of Greece today.

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## 1. Introduction

Greece has a very long history which has shaped its today's appearance. The Greek state, as we know it today, has a short history of almost two centuries. Through these years the economic, social and political conditions shaped among others the urban tissue. The Greek public sector began to confront the problems during this period in two ways; by funding infrastructures and by legislating regulations which gradually shaped the form of Greek cities. The form of the public sector intervention changed through time, according to the particularities of each period. Today, through the economic crisis the role of the public sector has changed. The private sector seems to be the only way to finance the revitalization of cities, a fact that is not followed by the required policies. This can lead to urban areas that focus on private profit maximization instead of areas that ensure sustainability and social justice. The paper examines the role of the public sector in the configuration of Greek cities until today and its cooperation with the private sector during the current period of economic crisis.

## 2. The beginnings of the Greek state

After the Greek revolution of 1821 the War with the Turks and the proclamation of the Greek state in 1834, Greek cities had to correspond to their new role. By this period the majority of the Greek citizens lived in the countryside, while cities were abandoned. The initial efforts for city revitalization were decrees which defined that every Greek citizen had the right to own a piece of land in the existing ravaged cities, in which he could construct his own house. The State could initially choose the areas where the public buildings and infrastructures were to be constructed; the other parts of the city could be built according to regulations that tried to ensure good health conditions in the new cities. Kapodistrias, the first Greek governor tried to formulate rules according to Western European urban standards. His efforts showed the attempt to expunge the traces of the Ottoman past and to become the base for the new Greek cities that would have similarities with the rest of European cities. The field for all these attempts was Greece's capital, the city of Athens.

The initial plan for Athens which was the final capital of the Greek state was based on classical principles. It was character-

alized by boulevards, parks and public buildings in the standards of the Bavarian urban planning. This plan was never applied and it was modified many times as the Greek state could not afford the required expropriations (Biris, 1966).

As public buildings preceded the urban tissue in Athens, it was inevitable that, instead of the urban plan defining their location, the opposite happened. The accomplished public constructions of the Greek capital were finally built in places totally different from those foreseen by the urban plans. That way, in almost every case, especially when it was a question of a public building of special interest, the approved urban plan had to be modified.

In the period between 1828 and 1923 major changes took place in the Greek state. New regions were annexed in the country and simultaneously many Greeks returned to their country from other countries of the Balkans (table 1). These facts caused new conditions, so policies of spatial development had to be adjusted in the country's new needs. By 1897 the Greek population was 2,451,185 people. Until 1922 the Greek population was doubled (GSSG, 1931: 41).

The period between 1828 and 1923 was characterized by the creation of plans without legislative efforts. It is estimated that from 1828 until 1899 152 plans were created for the development of Greek cities. These plans only showed the areas where public buildings would be constructed and the limits of the building blocks which would be constructed with restrictions regarding issues as building heights, distances etc.

These restrictions were not detailed so their implementation included a lot of differences according to the social dynamics and the circumstances of each period. The organized construction of a 565 buildings area was a significant case of the role of the Greek public sector as in 1831 these buildings were constructed in order to cover the housing needs of Cretan militants which participated in the 1821 revolution against the Turks. It was the first time the public sector tried to cover the housing needs of a group of Greek citizens in an organized way. On the other hand the private sector that was headed by rich Greeks terminated its activities in the construction of public buildings that were functioning as public institutions (schools, orphanages, churches, hospitals).

**Tab. 10.** The changes of the surface and population of Greece from 1897 until 1922

Date	Area (sq. kilometers)	Population
1897	63.2111	2.451.185
1913	121.794	4.819.793
1920	150.833	5.531.474
1922	130.199	5.913.000

Source: GSSG, 1931

In the beginnings of the 20th century the political power moved from the upper to the middle class, a fact that was reinforced by the economic structural change (decline of agriculture and traditional manufacture). This new development model led to changes in the Greek social stratification. The basic factor that created the Greek built environment this period was the establishment of a central mechanism which prioritized the restrictions for the Greek cities regulation (Vergopoulos, 1978). The above procedure was followed in Greece by the Ministry of Transport and the simultaneous legislation of rules regarding cities that obtained healthy living conditions.

A characteristic example of the public sector's role was the city of Thessaloniki. A major part of the city was destroyed because of a big fire that broke out in the Mevlane district the afternoon of August 5, 1917. The fire which subsequently expanded to the rest of the urban fabric destroyed 9,500 houses leaving 70,000 of the 170,000 city's residents homeless. The Greek state immediately started with the procedure

for the city's revitalization through the establishment of a council which designed a new plan for the destroyed area. The innovation of the implemented policies was the land's redistribution system. This was achieved with the establishment of a Public entity which gathered all the existing properties in its jurisdiction. For the certain case the Greek state voted the 1394 Law in 1918 which was an intervention tool that included the process of the old properties valuation, the establishment of a single real-estate owners group, the evaluation of the burned and the new real estate development in accordance with the proposed plan, the allocation and distribution of new plots and various other modalities (Karadimou-Yerolimpos, 1985: 172). The above organizational structure did not only formally introduce the mechanism of „comprehensive planning“ in the country but also adjusted the international urban planning practice to Greek reality. This was characterized in economic terms by the lack of financial resources which would guarantee the property rights in particular plots (Karadimou-Yerolimpos, 1985: 349 ).

### 3. The interwar period

The arrival of 1.3 million refugees in 1922 led to two basic Decrees: the 1923 decree which tried to manage the intense urbanization with restrictions regarding urban and peri-urban areas and the 1929 Decree which dictated building rules, as the new building methods and materials encouraged the construction of high buildings. The public sector faced difficulties to house all refugees as the political situation, the economic conditions and the lack of mechanisms made the Greek Government unable to face this intense problem. The League of Nations established the Commission for Refugees Rehabilitation which tried to solve the new housing needs. Initially the newcomers were settled in theatres, churches and other public buildings, in tents, in hovels and in abandoned settlements. The Greek state tried to strengthen its borders, so 2,000 (1,381 in the Macedonia region and 236 in the Thrace region) new agricultural settlements were constructed with the use of standard urban plans. The state also provided family allotments of 35 acres that differed according to each family's size and the type of crop. As for the urban settlements the Ministry of Welfare constructed 12 main and 34 secondary settlements near the existing urban areas (Polyzos, 1984: 29).

Due to the lack of financing tools the new urban areas for the refugees had no public infrastructures, a fact that caused degraded urban environments. These areas were addressed only to some of the newcomers so the rest of them had to be settled in hovels creating entire slums within cities or around refugee settlements. The country's planning system had to adjust to these new conditions and the continuously increasing housing needs.

So, in 1934 a new Decree for the construction of multi-storey buildings was legislated in order to allow the construction of high buildings. The same period the Greek government promoted the system of compensation-exchange, a process that brought in the private sector in the intense building process. The majority of Greece's urban residents had the right to grant their plots to private contractors in order to build multi-storey apartment buildings and give them some of the new apartments in return (Marmaras, 1989). The aim of this Decree was the control of the intense urban sprawl, the facilitation of construction and the settlement of the intense housing needs due to the rapid urbanization process of this period. As the public sector could not confront the Greek cities' expansion and finance the newly required infrastructures, it encouraged the construction of higher buildings. Nevertheless, as during this period the Greek economy was supported by capital mobility caused by the construction sector the aim of urban legislation was to facilitate private construction activity.

In the following years the Greek State adopted a number of laws which would make construction more profitable. Gradually, social housing guided by public sector withered away and the private sector took over the formulation of the Greek urban environment focusing on its profit's maximization. It is characteristic that although in 1940 43% of the Greek families were homeless or lived in inappropriate conditions, the public sector could not do anything in order to solve this problem. On the contrary 76% of the multi-storey buildings of this period had been financed by the final owners of the buildings, a fact that shows that construction was a main way of investment.

### 4. The Civilian war, the dictatorship and their influence on the Greek cities

Between 1947 and 1949, the Western European countries used the Marshall plan for the development of their industries, with the use of technologies that were discovered during the Second World War. In Greece the Marshall funds were used by the government forces for the civil war and the survival of the Greek population. The public sector only was responsible for 2% of the total buildings that were constructed during the 1948-1950 period. It is estimated that from the 3,000,000 buildings that were constructed after the Second World War only 50,000 were financed by the public sector.

In this period the Greek cities' development was based on the reconstruction of the Greek productive base. The employment conditions were extremely difficult, so many Greeks preferred to migrate to other countries where it was easier for them to find a job. Although the Greeks continued to move from the countryside towards the existing cities, as the activities in the countryside were declining, the country's industrial development had not yet been achieved. It was this period when the construction of houses was linked with the development of the Greek economy.

The 1952 Varvaresos proposal asserted that the construction sector would create new jobs and reduce the demand for imports as building materials would be produced in the country. All the above would simultaneously lead to an increase of purchasing power which would ensure the consumption of Greek agricultural and industrial products.

The public sector during this period was focusing on the formulation of plans for the Greek cities development. Academics of this period, referring to the principles of modern urban planning, formulated proposals for the development of the Greek cities. It was the first time the proposed regional and urban plans tried to decongest the center of Greece's capital, Athens, based on the principles of Brasilia planning. The proposed plans that were formulated were based on the definition of new urban zones and green belts that would prevent urban sprawl and on the creation of boulevards that would ensure best traffic. In this period the political conditions and the lack of financing led the Greek government to a desperate attempt to start the reconstruction with private funds in the existing plots without the necessary infrastructures and other planning principles for the city's future development. All the policies of this period focused on the creation of a status which would attract private funds. So, decrees as the one which allowed the construction of higher buildings were accepted by the private sector while other decrees that proposed changes in the cities central areas were never applied as many land owners would have been affected. All the above led to cities with high densities in their central zones.

During the 1967-1974 dictatorship all policies tried to increase the existing building ratio in all Greek cities in order to placate the Greek society. In the same direction, the entire legislative framework during this period focused on rules which would encourage the construction activity and promote successive integration of arbitrary areas into the city plans.

Through these regulations the construction sector financed by private funds was intensively promoted, a fact that expanded the group of small property owners and blunted social division.

After the dictatorship new rules were put in place in order to improve the degraded Greek urban environments. But at the same time the policies that promoted tourism development degraded small settlements and rural areas as all infrastructure was constructed in order to serve the new tourism development model. So areas as Rhodes, Corfu, and Mykonos were the field of new mass construction works without restrictions which resulted in the downgrading of areas with particular environmental and cultural characteristics (Sarigiannis, 2014).

In the beginning of the 1980's, although the experience showed that intense construction by the private sector with few restrictions caused downgraded urban environments, the new regulations that were legislated again focused on the promotion of the construction activity. Policies promoted construction by owners of small properties leading again to a new "construction miracle". So the public sector that could not finance any project for the upgrade of Greek cities, legislated the rules that would encourage the private sector to play this role. But as the private sector mainly acted for profit maximization the results of this effort had bad effects on the Greek cities, which were constantly sprawling and downgrading without restrictions.

## 5. The Olympic Games and their effect in the Greek cities

In the beginning of the 21st century, the globalized economic conditions, the new technologies and the new ways of consumption and production had changed the economic base of the Greek urban areas. The development of these new trends resulted in the attraction of competitive economic activities. The new liberalization policy combined with the attraction of private funds had diachronically defined a new framework in the function of Greek urban planning. The main policies regarding urban development mainly focused on the cooperation of the public with the private sector, assisted by city marketing for the promotion of more competitive cities. This way the Greek cities were during this period managed with a new piecemeal approach that focused on certain projects in certain areas. The comprehensive model of planning was gradually abandoned and new programs, which ignored the holistic approach and focused on certain degraded city areas, were adopted.

In Greece the decade of the 2000's was the period of the production of new urban infrastructures dictated by the cooperation of the private with the public sector. This fact was mainly caused by the privatization of urban infrastructures (transport, energy, communications etc.) that was supported by the emergence of utility operators and the simultaneous limitation of public expenses. The intense development of this cooperation was mainly caused by the Olympic Games when the new needs, combined with the public-private partnership

supported by the European Union's guidelines led to new conditions. In Greece, a country that had developed a complicated legislative framework, the cooperation of the public and the private sector can take many different forms, according to the degree of the private sector's involvement. So in the case of a concession contract, the private sector was responsible for the planning, construction, the maintenance and development of a project and it received its revenues from the operation of the project as long as the concession lasted.

In this framework the cooperation between the private and the public sector was intensified for the development of the required infrastructures for the 2004 Olympic Games. This cooperation was caused by the lack of expertise on the part of the public sector for the management of large scale infrastructure projects. Due to the lack of confidence of the Greek society in the public sector which has gradually been ineffective in the management of public projects, the private sector became the main base for the creation of public infrastructures.

The fact that construction procedures had to be implemented faster than usual due to the Games and the need for a more competitive economic environment led to major changes in the country's legislative framework. So new laws that allowed the merge of construction companies were legislated in order to encourage the private sector to implement the required new infrastructures. Sectors as energy, real estate, tourism and entertainment infrastructures were promoted during this period.

It would be a serious omission not to mention the significant changes that the involvement of the private capital caused in the development of the Greek urban tissue. There was an escalating emergence of big scale private companies which were involved in development initiatives. The private sector had extended its limits beyond the individual housing construction in more complex forms of development and in reclamation of bigger and more complex properties. These forms of private funds investments emphasized in a rapid economic performance. The benefits from these procedures were either not recorded adequately or, even more, were not positively influencing the social context within the investments took place. But how is all this shaping the Greek urban tissue? The development of these projects has introduced a new dimension in real estate prices and simultaneously it affected the sustainability of the existing local markets. The Greek case has many similarities with the corresponding European. These similarities are mostly concerning the physical planning process and the existing legislative framework of spatial planning, which in most cases has not predicted the mechanisms for this new phenomenon.

## 6. The public sector under today's crisis conditions

Today the existing economic conditions of Greece have dramatically changed the way the public sector is functioning. The economic crisis that began in 2009 not only unsettled the social and political conditions in Greece but also modified significantly the roles of the public and the private sector. The

Greek crisis has led to a crisis in real estate, construction and services sectors. Simultaneously it has expanded into a 'social crisis' illustrated by evictions, homelessness, informal economy, curtailing of welfare provision and new forms of urban poverty and vulnerability. All the above has influenced the Greek urban environment as the economic crisis has led to reduction in urban infrastructure provision and to further degradation of already disadvantaged urban areas. Due to the lack of funding recourses the possibilities for Greek cities' revitalization through public funding were extremely difficult. The impact of the crisis was exacerbated by local government service cuts and the cessation of previous regeneration programmes. So, due to these new conditions the private sector seems as the only one that could create new jobs in order to improve the high unemployment that Greece faces. But what is the role of the private sector in Greece today?

Some seem to have used the crisis as a catalyst to reform their economic base and the delivery of public services, including: an increase in urban entrepreneurship and business start-ups in response to growing unemployment; a focus on social innovation; and a shift towards 'smart' sectors such as energy and technology and investment into energy-efficiency in buildings, transport and urban infrastructure. On the contrary the Greek cities have struggled and are critical about the changes they are forced to make, perceiving an abdication of national government responsibility.

The new existing conditions have created a field that provides a lot of chances for the private sector as land values are low and the available manpower abundant. Greek private funds have made efforts to take advantage of this new situation. Plans for new tourism infrastructures were the most common new proposals from the private sector that focused on Greece's "heavy industry" tourism. New projects on Greek islands, environmentally sensitive coastal zones and forests were proposed with the pretext of the desired development that would combat unemployment. According to the Greek legislation all these projects should have been predicted from the spatial plans of all levels (regional and urban). But this cannot be achieved because of the obsolete spatial planning system that is functioning with plans that were legislated many years ago, when the conditions were different. So every proposal was rejected as it was not complying with the existing plans.

The Greek state tried to facilitate the private sector's projects with the legislation of decrees that allowed the construction of big scale projects in case they would provide new jobs and therefore support the country's development. According to these decrees, due to the economic crisis conditions, a project that was not foreseen by the existing urban and regional plans could be approved if it created new jobs. Under this new legislative framework projects such as the abandoned airport of Helliniko, the coastal zone of the Athenians capital and other areas could be developed. Although this new framework tried to facilitate the role of the private sector in a complicated legislative environment, still many complaints were formulated as in many cases the pretense of development could result in environmental degradation. The application of this new legislation so far has not succeeded as the

Council of State that is based on the Greek constitution which defines environmental protection as a basic precondition for any development has rejected almost all of these proposals. So, what can be the role of the public and the private sector's in the development of the Greek cities?

## 7. Conclusions

There are significant knowledge gaps about the way the crisis is affecting cities, as they seek to manage the consequences of the recessionary downturn and austerity programmes. It is essential to redistribute the available funds into the areas and activities where they are mostly needed and take advantage of the fact that the crisis may have created new opportunities for green investment, social innovation, the social economy etc. For the achievement of the above a cooperation of the public and the private sector seems to be necessary, as the experience so far has shown that the fragmentary function of each sector has not succeeded. The basic precondition for the achievement of this goal is the adoption of policies that will create infrastructures for the common benefit and thereby producing sustainable urban areas. It is important for the public sector to guarantee that the private sector will not act mainly according to its profit maximization, but according to rules that will make cities respond to the new globalized circumstances. The target must be to form cities with new financial mechanisms based on social innovation and social economy, with smart features, with investments in greener urban infrastructure and with new institutional characteristics based on new governance mechanisms.

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