



Press Release

Vassilios Psaltis: “Time to change the production model; if not now, when?”

“If we fail to seize the opportunity to change the production model now, a new crisis will probably be inevitable,” the CEO of Alpha Bank Group emphasized at this year’s Delphi Economic Forum.

The need to foster a **new business culture that will drive innovation and extroversion**, in order for Greece to succeed in changing **its production model for the benefit of society**, was highlighted by **CEO of Alpha Bank Group, Vassilios Psaltis**, who spoke at the Delphi Economic Forum IX Annual Meeting. He also stressed the need for **breakthroughs that will lead to the strengthening of entrepreneurship**, by addressing its key chronic problems.

Participating in the panel “Engines for Growth: Is The Production Model of Greece Changing?”, Mr. Psaltis noted that in the public debate many different views are presented regarding what the change of the production model means: *“Many perceive this change as a **sectoral diversification of the economy**, with the strengthening, for example, of industry over tourism and construction. Others perceive it as an increase of **the share of investments in GDP**. Finally, we often hear that the **increase of the economy’s degree of extroversion**, in other words the increase of exports as a percentage of GDP, is evidence of this change.”* Explaining that none of these approaches is sufficient to demonstrate the change of the production model, he noted that *“although the above are not mutually exclusive, they do not necessarily imply the same production model. For example, the strong growth of tourism may result in high extroversion, but it also increases dependence on a single sector, which we have seen how painful it was for Greece during the pandemic or for Germany during the energy crisis.”*

*“The change of the production model **is not an end in itself**. Its goal is **to enable society to get to a better place**. To enable us to create **more jobs that will be permanent and quality ones**, to enhance **prosperity** and to increase **extroversion, which is important because it exposes us to competition, and only this will make us better**,”* stressed Mr. Psaltis, going on to note that despite the fact that at the political and economic level there is, to a large extent, agreement on what the engines of the Greek production machine should be, the boldness required to fully implement them is – unfortunately – lacking.

In response to a question from Prof. N. Vettas, Director General of the Foundation for Economic and Industrial Research (OBE) and moderator of the panel discussion, Mr. Psaltis stressed the need for the reform ambition of both the State and, of course, Greek entrepreneurship, to remain strong. *“**What we need are breakthroughs. Without breakthroughs, entrepreneurship cannot be strengthened and without entrepreneurship we cannot achieve the growth rates we want, so that we can talk about substantial convergence**,”* he argued, explaining that these breakthroughs ought to solve basic problems of entrepreneurship, such as the **complex tax system**, issues related to **justice** and the legal framework for the protection **of property**, the **low level of corporate governance** and the **lack of an innovation culture**. He called on the **private sector to join forces** in this direction, *“on the basis of a common framework of principles, **which will set the bar very high, at the height appropriate for the country**”.*

“If not now, when?”

The CEO of Alpha Bank Group said that the debate on the production model was triggered by the crisis of the past decade, caused by the over-indebtedness of the Hellenic Republic and the creation, in the mid-2000s, of an **artificial convergence** with the EU. He added that, despite the progress made in recent years, *“our excitement is due to the fact that **we find ourselves at the status quo ante. We have not achieved something special.**”*

Moreover, as he explained, even the publicity that the issue of the **acquisitions of Greek companies** is attracting does not necessarily imply a breakthrough in Greek entrepreneurship. Quite often, the



opposite is true, as *“in many cases, we are talking about mature companies which someone joins and exploits their dominant position. Yet if they do not proceed to capital expenditures (CapEx), if they gradually start to treat the company as a ‘cash cow’, reaching a point where foreign shareholders will receive dividends whose value will be higher than the company’s own exports, what will be the benefit to the Greek economy? None!”*

Stressing that no one should content themselves with the positive steps made in the last few years, he stressed that **the timing is right**, as there are **three major positive elements**: the recovery of the **investment grade**, the **stability in the political life** of the country, together with the strengthening of its credibility, and the **opportunity to leverage the funds of the Recovery and Resilience Facility**. *“If not now, when?”*, asked Mr. Psaltis, adding that if at the current juncture the country misses the opportunity for substantially changing its production model, then a new crisis will probably be inevitable.

Focus on innovation, human capital and education

Mr. Psaltis identified as a prerequisite **the fostering of a new business culture** aimed at striving for **innovation**, which leads to higher added value in products and services. As he said, in the field of innovation, the relevant indicators reveal that our country, despite the improvement in the recent years, is still lagging behind.

At this point, **he also engaged in some self-criticism about the role of banks**, acknowledging that *“we do not yet have the capacity to be able to support business plans that are moving forward rapidly, because we are moving in an econometric manner, looking back. This is a contradiction. We will have to adopt a **new approach** and, of course, to accept that the margin of error will be greater.* Besides, our strength is gradually increasing, so we ought to take this step.” He added that politics, for its part, is called upon to contribute **by shifting the focus of incentives and available funds to strengthen the growth of businesses and their transition to a model of innovation and development, instead of simply supporting** their conventional operation.

During the discussion with the Chairman of the Board of Directors of the Hellenic Federation of Enterprises (SEV), Dimitri Papalexopoulos, and Big Pi Ventures partner Marco Veremis, special reference was made to the **importance of human capital and education**, which are now the dominant productive factors. Mr. Psaltis referred to the **technological revolution taking place with Artificial Intelligence (AI)**, noting that all sectors without exception will have to substantially modify their operating model due to AI. *“Our country has advantages: **talented people and universities that produce qualified graduates.** We also have **a great quality of life**, which acts as a major incentive in attracting good potential, for example as **digital nomads**,”* he said, setting as a priority the adoption of measures to **limit high structural unemployment** and the **mismatch of skills between supply and demand**: *“We are in need of serious upskilling. There are funds available, which should be utilized in the best possible way... Woe betide if we were to suffer again what we the misuse of funds has made us suffer in the past.”*