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Title of the chapter:

The paradox of non-reform in a reform-ripe environment: lessons from post-authoritarian Greece

Dimitri A. Sotiropoulos

Introduction

In May 2010, following the Memorandum of Understanding between the Greek government and the Troika (IMF, EU and ECB), a rescue package was offered to Greece, in order to face its public debt crisis and later in the same year a series of reforms were attempted by the government of PASOK (in power since October 2009). Reforms were legislated not only in economic policy, but also in other sectors such as pensions, labour relations, higher education and public administration. A new impetus was given to reforms after Greece and the EU agreed on a second rescue package in July 2011. Many observers were hopeful that this external stimulus towards reform, combined with international pressure to completely alter the Greek ‘model’ of economic development, would finally bring about structural and policy changes many times announced and legislated since Greece’s transition to democracy (1974), but never actually implemented.

Reform has been given a bad name in Greece, and the lack of reforms has become painfully apparent since the outbreak of the crisis in Greek public finances in 2009-2010. The term “reform” has acquired pejorative overtones, owing to unfulfilled promises by successive governments; grandiose reforms plans which have never come to fruition; campaigns by vested interests to preserve their market niches or preferential regimes (e.g., closed shop regulations, tax breaks); thinly veiled, self-serving personal and political party projects couched in the language of reform; drives

by the far right, the Greek Orthodox Church, and the communist left to associate reform with neo-liberalism and the perils of globalization; and bad publicity meted out to reformers by newspapers of the opposition, mass media controlled by local tycoons, and unscrupulous journalists.

And yet, important reforms, promoting democracy and equality as well as rationalism in state organization have taken place since transition from authoritarian rule (1974). In this respect, I would like to argue that paradoxically the Greek political system today seems suited to foster reform but in practice fails to do so. This is owed not so much to inadequate reform formulation (policy designing, planning and programming) as to insurmountable obstacles at the stage of implementation of reform.

The wealth of abstract explanations of reform failure, which may be categorized into political economy, rational choice and historical institutionalist theories, need to be complemented by analysis of concrete instances in which reforms have been blocked. The point is to understand the mechanisms and processes through which reforms unfold and eventually succeed or are blocked out.¹ This chapter focuses on the case of contemporary Greece and offers a typology of causes of reform failures, in the context of political party competition, state incapacity, and political culture polarization.

In the remaining of the chapter, I will explain why one would have expected Greece to be a frequent example of stories of reform success. I will mention cases of successful reform, but I will claim that despite such successes, reform failure has been common in contemporary Greece. I will briefly present my conceptual framework, discuss how Greek reformers themselves explain reform failure and distinguish among five different instances of reform failure. I will present nine causes of reform failure, focusing on failed implementation and linking these causes to traditional patterns of the political and administrative system and state-society relations. It is at this level of analysis that one should seek the most substantive causes of reform failure.

I have drawn evidence from two sources: first, concrete examples of policy measures, on the basis of bills of laws, reports in the press, and statistical data; and, second, five

in-depth interviews with former ministers of center-right and the center-left governments who had attempted reforms. Interviews took place in Athens in April 2009, were face-to-face, lasted for approximately one hour and evolved around three themes: abstract explanations of reform failure in Greece, concrete episodes of reform failure and prospects of overcoming reform obstacles. Excerpts from these interviews serve to illustrate rather than to empirically substantiate some of my points. Throughout I employ the terms “reform”, “policy shift” and “substantive policy change” interchangeably, although I am aware of their differences. I focus on failed attempts to substantively change policies, drawing examples from the fields of social welfare, employment, central government organization, public administration and local government.

The institutional environment of reforms

At first sight, for several reasons post-authoritarian Greece looks like a case where reforms would normally succeed. Having joined the European Communities (the predecessor to the European Union – EU) in 1981, Greece has been subjected to EU-driven reform pressures for thirty years now. In the Greek parliamentary democracy, the executive power is not balanced by either the legislature or the judiciary. The legislature is almost always dominated by single-party government majorities, while the highest echelons of the judiciary are staffed by judges handpicked by the incumbent government, a practice that was changed by the new PASOK government only after the October 2009 elections (a high-profile parliamentary body was granted the power to nominate the justices of the three highest courts. This body, which selects justices with reinforced majority rules, is composed of the President and the Vice Presidents of the Greek Parliament).

However, the Council of the State (*Symvoulío tis Epikrateias*, the highest administrative court), has sometimes played a corrective role, striking down new laws (e.g., environmental or social policy legislation). The President of the Republic has largely figurative powers. The state is unitary, until 2010 regional governors were appointed by the incumbent government and the prefectural and municipal authorities - which until 1994 were also appointed - are weak compared to the central

government. In brief, a reform-prone executive would have comparatively few institutional obstacles to overcome.

With the exception of a very brief period (June 1990 - April 1990), all governments since the transition to democracy have been majoritarian single-party governments. There have been either center-right (New Democracy - *ND*) or center-left (socialist party, *PASOK*) cabinets, often enjoying comfortable parliamentary majorities. Slim majorities, such as the *ND* cabinet under Mitsotakis in 1990-1993 or the *ND* cabinet under Karamanlis in 2007-2009, have been rare.

Heads of governments, who have always simultaneously been governing party leaders, have rarely encountered strong opposition, internal to their party. Political party discipline is enforced and party hierarchies are respected. Party leaders have a free hand in selecting their parties' candidates for national elections and elections to the party's top organs. They sanction party dissidents and change the party line often at will. Even though, periodically, incumbent governments have given in to demands by parliamentarians to amend legislation in favour of their clientele, parliamentary opposition or intra-party dissidents rarely thwart a government – proposed reform. The public administration has also been subservient to the government of the day, owing to the influence incumbent ministers and the pro-government trade unions exert on the selection of higher civil servants. Career bureaucrats may drag their feet when they dislike a policy choice, but they are rarely able to modify a bill of law.

Incumbent governments battle with trade unions, but, compared to many other EU countries, in Greece the autonomy of unions is circumscribed. Divisions among union members mirror the divisions of the country's political party system and trade union cadres abide by the guidelines of parties with which they are affiliated. Peak associations have been financially dependent on the state and largely monitored by the state through institutional means (e.g., even after the fall of the Colonels' regime, in the 1970s and the 1980s, the leadership of trade unions was more than once selected and appointed through court decisions influenced by the incumbent government). Today, unions are not as dependent on the incumbent government as they used to be in the past. Still, the fact is that the administration of confederations of trade unions depends on state funds for its survival.

And yet, despite chronic problems calling for reforms, the domestic institutional environment is not responsive to reforms. Moreover, when the executive embarks on reforms, the latter are rarely carried out. Although existing institutional arrangements should have made the passage of reforms a predictable process, in practice bureaucracy, unions and the courts have periodically acted as institutional impediments, preventing governments from materializing policy shifts.

However, a fair number of wide-ranging reforms have been passed by successive governments. This is owed to a number of reasons related not only to the aforementioned domestic institutional arrangements, but also to externally-produced reform opportunities, created by Greece's integration into the EU, an integration that has become crucial for the numerous reforms attempted in the midst of the economic crisis of 2010-2010. For approximately two decades now, the largest political parties (*ND* and *PASOK*), the major confederations of trade unions (the General Confederation of Workers of Greece, *GSEE*, which covers the private sector employees and the employees of the largest state-run companies; and the Higher Administration of Unions of Civil Servants, *ADEDY*), professional associations and commercial chambers, all have embraced Greece's integration into the European Union.

Contemporary Greek institutions and policies are not doomed to failure. Reforms have included the formal recognition of demotic Greek as the official language of the country; the introduction of civil marriage and the amendment of family law in order to promote gender equality in marriage; banking liberalization and the partial privatizations of large state-owned enterprises, such as the Public Power Corporation (*DEI*) and the Hellenic Telecommunications Company (*OTE*). Other examples of successful reform are the foundation of local day care centers for the elderly (*KAPH*); and the foundation of new independent authorities, such as the Ombudsman and the Personal Data Protection Authority (*APPD*). Notably, however, most of the above examples of reform success refer to changes in institutions or the foundation of new institutions rather than substantive shifts in policies.

Reform failures

Despite the variety of the aforementioned examples, the picture is more mixed and in fact more bleak than the above list of successful reforms may imply. Comparative studies of policy performance and executive and regulatory capacity in OECD countries rank Greece close to the bottom, on a long list of indicators (OECD 2001 and Bertelsman Stiftung 2009). The gravity of the situation can be better assessed by remembering events in Greece which have made international headlines: the unjustifiably high number of deaths occurring because of the heat wave in the summer of 1987; the soaring inflation and public debt in 1989-1990 and the debt crisis of 2010-2011; again, the huge destruction in terms of human lives, property and forests in the fires of the summer of 2007; the destruction of the city center of Athens in the upheaval of December 2008 and in the violent social protests of May 2010 and July 2011 against the agreements signed between the Greek government and its international creditors; and the abysmal state of the national economy in 2009: when in October of that year the ND party fell from power, the rate of economic growth was negative (-1 per cent), unemployment was 9 per cent, the budget deficit was 13 per cent, and the public debt was above 110 per cent of the GDP (data from press releases of the European Commission, Brussels, October 2009). All these instances cannot be fully understood as either the result of forces of nature or the lapse of a peripheral economy. Rather, they point to clear cases of governance failure, and people recognize them as such.

It then stands as a paradox that in a political system where the incumbent government seems to have a relatively free hand, reforms are not forthcoming in many policy areas. For more than three decades now, reforms in non-economic policy sectors (on which this chapter draws examples) have been repeatedly stalled. One just needs to mention the incapacity and corruption of central and local public administration, the underperformance of secondary and higher education; the dismal state of public pensions, social assistance and public health care; as well as the disheartening condition of environmental protection and town planning. Other disappointing phenomena, such as recurring gender discrimination in the labor market and the public sphere, persistent relative poverty (affecting approximately one fifth of all households in 1994-2004, Eurostat figures) and high unemployment (ranging between

9 and 12 per cent of the labor force in 1989-2009, soaring to 16 per cent in mid-2011 and being particularly felt among women and the young), are well known.

Concepts and definitions

Reform may be better understood as a substantive change of policy choices in a public policy sector, including the founding of new institutions and the changing of policy direction. A distinction can be made between, on the one hand, specific policy measures (e.g., the welcome expansion of pedestrian ways in the centre of Greek towns); and, on the other hand, policy measures which substantively modify part or the whole of the institutional arrangements of policy sectors (e.g., systemic changes in higher education or in labor relations). The latter type of changes interests us here.

Another conceptual distinction is that between reform success and reform failure, since what constitutes a successful policy shift is debatable. If there is no tradition of systematic policy evaluation (e.g., in Greece), one cannot be sure about policy success or failure. Of course, some indications exist. Take for instance the very low impact of anti-poverty policies, namely the small decrease in the size of poverty before and after social transfers (Matsaganis 2005); the overtime rise of private spending on health care, manifested in the practice of individuals paying pocket money for medical services; and the insolvency of public hospitals, preventing them from paying their regular bills for medical supplies. Further on, a reform which was initially thought to be a success may turn out to be a failure. An example is the introduction of the Greek National Health System (*ESY*, 1983). This is a system to be supported on principle, but whose reform is long overdue, as apparently even middle- and low-income strata turn to private health services to the extent that they can afford them.

Reform failure occurs not only when an attempt to change a policy proves unsuccessful, but also when a government does not attempt at all to tackle a problem for a long time. A persisting problem may indicate either reform failure or lack of any attempts at reform. An example is the chronic lack of regulation in the sector of Greek nationwide private TV stations. Even though such stations have been in business since

1989, broadcasting licenses have never been officially allocated to them by Greek authorities, and the relevant broadcasting environment remains unregulated.

The theoretical framework

Reform failure is associated with lack of policy implementation (e.g., Pressman and Wildavsky 1973, Hood 1976). This is often an important aspect of reform failure in many parts of the world, including of course Southern Europe (e.g., Gunther, Diamandouros, and Sotiropoulos 2006). However, this argument begs the question why an implementation gap appears in the first place. There is academic literature discussing reform failure in Western democracies (e.g., Bovens, Paul 't Hart, and B. Guy Peters 2001). There is also work on failed reforms in Greece (e.g., Allison and Nicolaidis 1997, Papoulias and Tsoukas 1998, Pagoulatos 2003, Featherstone 2006). In Greece, political cynicism and apathy have been on the rise since the late 1980s (Kafetzis 1994 and 1997), a trend that may not be unrelated to the – at that time already visible - failure of reform in many policy sectors. The realization that failure has multiple systemic aspects is a welcome, rather recent turn in the relevant literature (Pelagidis 2005, Featherstone and Papadimitriou 2008, Voulgaris 2008).

Most responses to the question “why reforms fail” are at the same time useful and inadequate, as they only supply the researcher with abstract analytical tools. Consider, for example, the approach of ‘state capture’, which is has been used to analyze how small groups have taken over policy-making in post-communist democracies (e.g., Ganev 2007); Przeworski’s approach (1991) which links calculating the short-term costs of reforms with the emergence of opposition by a majority of voters; the rational choice approach emphasizing veto players (Tsebelis 2002); the historical institutionalist approach emphasizing ‘locked-in’ decisions, legacies and historical trajectories (Pierson 1994; Streeck and Thelen 2005); and the political economy approach emphasizing fiscal and other economic constraints (Kaufman 1997 for a concise overview). These approaches are helpful in explaining why policy change is obstructed, but they do not offer more concrete insights into the mechanisms and processes of reform obstruction.

A recent study by the OECD (2009) looks at the same problem at a lower level of abstraction. The study presents 20 cases of reform in ten OECD countries across three sectors (pensions, labor markets, product markets) and concludes that there is a list of eight conditions, which, if fulfilled, may lead to the success of a reform. The conditions are the following: electoral mandate for reform; effective communication in favour of reform; solid, data-based preparation of any changes; long gestation time allowed for reform; cohesion of government; firmness of leadership; preceding erosion of status quo; and persistence of reformers in their task despite initial failure. This more policy-oriented approach and the aforementioned more theoretical approaches need further elaboration. This is necessary in view of the rather unsatisfactory ‘laundry list’ style of prerequisites of reform success, noted above. Obviously, the eight aforementioned conditions constitute a list of causes of failure as well, which however should be placed in historical and political context and analyzed in terms of a nexus of relations among politics, administration and society. In other words, one should take into account historical legacies of party competition, government organization, political culture, organizational aspects of institutions, and the interdependence of social and economic interests with the state.

How Greek reformers themselves explain reform failure

There is a common answer to the question why reforms fail, which is that decision-makers do not proceed with reforms which they have already embarked upon, because they fear the involved political cost. For example, ministers do not want to alienate parts of the electorate or confront organized interests, because they are afraid that they will be left out in the next reshuffling of the cabinet or lose their parliamentary seat in elections.

In the words of a former minister of ND: “There is a lack of political will to reform things. The fear of reactions from different sides is enough for a minister to postpone reforms. However, the personality of the minister in charge is the most important factor affecting the chances of reform success. If the minister is determined to see the reform through the stage of its implementation, then nothing can stop the reform.”ⁱⁱ

And in the words of a former minister of PASOK: “The primary cause of reform failure in today’s Greece is the fear of the political cost involved in reforms. This fear is owed to three things: first, proposals for policy changes are not documented with necessary empirical data; second, political parties and trade unions function within a narrow frame of mind; and third, there is no substantive public deliberation on reforms.”ⁱⁱⁱ

A second variation of this answer underlines the role of parties and emphasizes the pervasive character of patronage relations in post-authoritarian Greece. Party domination of all aspects of the political system and patronage bonds between parties and clients thwart any attempt at substantive reform. In the words of a former ND minister: “The penetration of the logic of political party competition in all institutions of democracy has created a ground fertile for the decay of public life...no reform will ever succeed unless it is carried out by a strong political agent. And this will never happen as long as political parties are not modernized. Only if parties undergo modernization, then the state itself will be modernized.”^{iv}

However, a demand for explanations of reform failure cannot be satisfied by resorting only to considerations of decision-makers and/or party behavior. Considerations of political cost do not suffice to explain the multitude and variety of reform failures in Greece. Even if the most plausible answers to the question why some reforms fail are that individual politicians do not want to take the political cost, patronage prevails everywhere, and the electoral strategies of political parties are at the heart of the problem, these three answers do not tell the whole story.

When does a reform fail? Instances of policy failure

What is often taken to be the cause of failure is but one of its manifestations. We ought to determine when a major policy change should be considered a failure, before proceeding to discuss the causes of failure.

To start with, failure is apparent when, allegedly owing to fears of political cost, reform is taken back, after its outline has been submitted to public deliberation. This

is an instance of reform failure, rather than a cause, because we do not learn anything about what has made the reform costly. A second instance of reform failure occurs when a bill of law encapsulating the reform is not voted by the legislature. Voting down a reform is obviously a significant cause of reform failure associated with patterns of coalition formation in parliamentary democracies. But reference to the parliamentary rejection of a reform has limited explanatory power in the case of unicameral systems, with single party majoritarian governments, such as the Greek one. A third instance occurs when a government, which enjoys the absolute majority of parliamentary seats, proves unable to bring about reform *after* a law has been passed by parliament. The usual answer, that the reform is never implemented, begs the question of the causes of lack of implementation. So non-implementation is not a cause, but an indication that a certain reform has failed.

Failure is manifested in two additional instances. For example, a new reform may indeed be implemented, but, later on, a negative policy evaluation may take place. Such evaluation often shows that the situation (e.g., in state schools, hospitals or prisons undergoing reform) has not changed at all and is exactly the same, if not worse, as in the time period preceding the reform under study. A fifth instance of reform failure is the passage of new legislation, sometimes shortly after the adoption of a reform law, which modifies or reverses what the original reform stipulated. Where in the long-run all reforms are bound to expire, a short-term reversal of a policy shift is another manifestation of reform failure.

In sum, reform failure may take at least five forms (taking a reform back without even submitting it to parliament, voting down of a reform, lack of implementation, no real change even after implementation, and quick policy reversal). Discussions of reform often concentrate on the stage of the formulation of new policy measures and their amendment or rejection owing to ensuing debates. There is less attention to the fate of reforms once they are adopted by the legislature. Reform failure, however, may occur after the adoption of the relevant new measures. I now turn to the causes of such failure.

Nine interlinked causes of reform failure

The first three causes have to do with the interaction among institutions. A reform may be rejected by another institution, after it has been voted by the parliament or an already legislated reform may be struck down by the courts. An example is a new social assistance measure to provide financial aid to low-income, large families, i.e., poor families with children. This was a targeted policy measure (Law 2459/1997) by the Simitis government which aimed at helping the most impoverished among the families with many children. The reason for the reform's failure was that associations of families with many children mobilized against the new law, demanding that all such families be entitled to the new allowance, regardless of income level. In 2001, the Council of the State decided in their favor, which means that from then on any large family, rich or poor, could claim the same allowance.

A second cause of reform failure has to do with the pace and magnitude of political change. A reform which has been adopted by parliament may be abandoned owing to government change or cabinet reshuffling or management turnover in a state-run agency. This is common in all countries, when one government succeeds another in power after general elections. In Greece, the same effect is often produced not only with government turnover, but also after each reshuffling of the cabinet. The new minister or new head of a state agency rarely continues a reform started by his or her predecessor, even though they both belong to the same governing party. For example, in a span of 24 years (1978-2002), 13 different politicians of either ND or PASOK were appointed as Ministers of Health and attempted to establish and amend ESY (the Greek National Health System; *Eleftherotypia*, 19 May 2002).

A third cause reflects the integration of the Greek political system into the wider EU governance structures. A reform may be abandoned because it clashes with existing supra-national legislation. For instance, in 2005 an ill-defined reform (Law 3310/2005) aimed at limiting corruption, but was aborted within the span of a few months. In detail, Greek legislation demanded that no major shareholder ('*vasikos metochos*') of a private corporation involved in public tenders could also hold shares in a private broadcasting corporation.^v All this conflicted with EU legislation and the Greek government had to abolish the law shortly after its successful adoption by parliament.

The next set of causes of reform failure refers to the administrative system. A fourth cause of failure may be the obstruction of a reform by civil servants. Bureaucrats are able to delay implementation or to interpret the new regulations in such a manner that the 'logic' of a reform is undermined. Two laws advocating decentralization of the public administration in 1984 and 1986 (Laws 1416/1984 and 1622/1986) were not implemented, as bureaucrats of the Ministry of Interior, aware that they might lose part of their power, made sure that no important competences or funds were transferred to prefectures and the local government (Hlepas 1999). Decentralization did not actually start but ten years later, in 1994, when prefects were elected by local electorates for the first time in Greek history.

A fifth cause has to do with state capacities. A reform may be voted by parliament and may even be well-funded, but it may fail at the stage of implementation owing to lack of expertise. Most of the Greek civil servants rarely possess skills other than elementary legal and economic knowledge or secretarial skills. An example is a policy of the late 1990s, which aimed at developing the cultivation of sea shells in Greek coasts. The policy fell through, as neither national administrators nor local officials knew how to proceed (Spanou 1996). A more telling example is the introduction of new information and communication technologies (ICTs) in public administration. Only a few public services, such as taxation authorities, have entered the digital era ('TAXIS' program). The introduction of ICTs has not meant a change of traditional organization of work, let alone an improvement in citizen-administration relations.

A sixth cause of reform failure lies at the crossroads between the political and the administrative system and may be called 'lack of resource provision for the implementation of reform'.^{vi} Examples are the lack of auxiliary legislation (such as suitable presidential decrees specifying the provisions of a law), lack of instructions to 'street-level' bureaucrats entrusted with reform implementation and lack of financial means to carry out the reform. Typically, failure occurs either because of the lack of financial means in the first place (which means that the law, encapsulating the reform, was nothing else but a decorative exercise); or because of the depletion of funds after the new law was first implemented. An example is the decline of the de-

institutionalization reform of mental illness in Greece. This began with the closing down of asylums in the previous decade, but today is coming to a close. In 2008 there were about 200 local mental health care centers or units, founded and run by 56 NGOs. They employed a staff of 2500 and cared for 3000 patients. Even before the fiscal crisis of 2009-2010, the reform was coming to an end, as organizations taking care of the mentally disabled were under financial strain and had to lay off staff.

A final set of causes refers to state-society relations. A seventh cause is resistance “from below”, by popular strata and their representatives or by social movements. An example of reform failure due to mass mobilization was the aborted social security reform, attempted by the Simitis government in 2001. This reform had an egalitarian “philosophy” but touched upon rights and benefits of insiders, namely well protected categories of employees in the wider public sector as well as the liberal professions. Large demonstrations, negative publicity, and the doubts expressed in public by some cabinet ministers (after they had agreed on the reform) obliged the government to back down.

An eighth cause is “resistance from above”, namely by elites adversely affected by a reform. They may be ‘veto-players’, such as politically influential mass media or groups of businessmen or other powerful elites. For example, during the second term of PASOK in power under Papandreou (1985-1989), the leadership of the Greek Orthodox Church was able to counter reforms aiming at taxing church property. Another example is reluctance to amend the legislation providing for the election of 42 deputies (almost one fifth of the total of 300 seats in the parliament) in a single district, the 2nd Athens electoral district. This is a vast and densely populated area of approximately one million four hundred (1,400,000) registered voters. The district includes very rich and very poor neighborhoods, located to the north, the west and the south of the centre of Athens. Candidates campaign across this area, spending resources which they cannot afford and thus raising the financial cost and lack of transparency of the electoral contest. In this case, elites resisting reform of the electoral legislation include politicians who over time have conveniently built networks of patronage relations with voters and fight any change of the electoral landscape that may affect the way they run their campaigns.

Finally, a ninth cause of reform failure is indifference on the part of prospective reform users. For example, in 2000 the Simitis government passed a law reforming working time with the aim of battling unemployment. Law 2874/2000 stipulated that if business owners desired to increase production, they had to pay very high overtime compensation to employees called-in to work additional hours. Alternatively, employers could hire new employees to cover for the needs of increased production. The measure proved ineffective, as business owners trusted their own employees and did not opt out to hire new personnel which they would have to train on the job. They preferred to pay a higher labor cost and make arrangements with the people already working for them, who naturally – given the additional compensation – were happy to oblige.

Political, administrative, and social legacies impeding reform

The list of nine causes of reform failure does not reveal the deeper causes of the problem, which have to do with the political and administrative system and state-society relations.

Political system legacies impeding reform

Some of the causes mentioned above, such as the ministerial instability and high management turnover and the misallocation funds or negligence on the part of policy-makers to provide any funds accompanying a reform, are linked to legacies of the political system, dating at least since 1974, if not earlier. Such legacies include polarized party competition as well as intra-party fights; the remainings of a polarized political culture; short and unpredictable electoral cycles; absence of enduring political will to bring about policy reform; lack of reform strategies on the part of incumbent governments; a tension between an over-centralized peak of the government and the centrifugal tendencies of ministries; clientelism and corruption; and reluctance to place reform at the top of government's priorities.

Polarized political competition is usually translated into considerations of “political cost”. New measures, if unpopular, fail to become implemented or are even taken

back by the same government which has initiated them. As already noted, “political cost” is a factor impeding reform, but does not suffice to analyze reform failure. In itself, this explanation is equally unsatisfactory as another, very common explanation which puts all the blame on trade union leaders. This explanation is couched in the following statement by a former Minister of ND: reform failure is owed to the “collusion between party cadres who hold public jobs and trade union leaders who also depend on state funds.”^{vii}

Instead of looking for one, ‘blanket like’ political level explanation, one has to make a selection of the key legacies of the political system which have impeded reform success. Two such legacies stand out: first, the overarching, constant priorities of successive governments which were insensitive to the need for reforms in most policy areas other than defense and security and the national economy; and, second, a polarized political culture, which was inimical to reform.

Indeed, since the 1974 transition to democracy and for 35 years now, the priorities of successive governments have been in defense and foreign policy, integration into the EU, and macroeconomic stabilization. Even when it seemed that priorities had shifted (e.g., towards curbing income inequalities), during a few years after PASOK’s first ascent to power (1981) and again after 1996, defense spending remained high. In the 1980s and the 1990s, Greece was one of the largest defense spenders in NATO, along with the USA, dedicating as much as between five and seven per cent of its GDP to defense expenses. The reason was twofold and laid first in Greece’s being part of NATO’s sensitive southern flank, which was crucial until the end of the Cold War (1989) and, second, in the uncertain evolution of Greek-Turkish relations.

On the other hand, external economic pressures and fiscal constraints were combined with imprudent expansionist measures which followed the political electoral cycle. All this created an environment unfavorable to reforms in sectors other than macroeconomic policy. The two oil crises of the 1970s, the extensive public borrowing of the 1980s in order to fund wage increases and public consumption, and the periodically high inflation which peaked in the late 1970s, the mid-1980s and the early 1990s, repeatedly called for programs of austerity. After the mid-1980s, the size of the public debt loomed large in discussions about changes in most fields. Greece

has had to service a very high public debt (over 100 per cent of the GDP) which has cut ambitions for substantive reforms short.

Another key political legacy is a legacy of polarized political culture. While it is true that today there is consensus between Greece's two main political parties (ND and PASOK) over foreign policy, defense policy, the main lines of macroeconomic policy, and the country's integration into the EU, for over three decades now the political system has been permeated by a Manichean view of politics. Indeed, in contrast to the Portuguese and Irish political parties, Greek parties did not even reach a consensus on a strategy to exit the debt crisis which erupted in 2010-2011. Election after election, the political scene is still divided into two halves (Left versus Right), a rift which has been reproduced by political elites. Preceding historical cleavages between liberals and royalists (in the interwar period) and communists and centre and right-wing parties (in the Greek civil war period) have fed into this rift.

In this respect, as already noted in the second section of this chapter, it is telling that between 1974 and 2009, coalition governments were formed only once and very briefly (for ten months in 1989-1990). In the rest of the period under study, majoritarian, single-party governments ruled. The two main parties still share between themselves about 80 per cent of the votes cast in general elections. This is the result of the aforementioned political polarization and of an electoral system of 'reinforced proportional representation' which reinforces the shares of parliamentary seats of the two largest parties. Even in policy sectors where both parties claim that there should be national consensus, such as in education, culture and tourism, their political rhetoric remains inflammatory. Almost any bill of law introduced by the incumbent government is rejected by the opposition and vice versa. The fact that after 2009 the major party of the opposition, ND, voted along with the governing PASOK on a number of bills of law does alter the picture of the on-going conflict between the two parties even at historical moments calling for consensus, such as the 2010-2011 crisis. In short, even though political party contests between the two major parties today are less acute than they used to be and despite the fact that a few small parties almost always secure their representation in parliament, in Greece there is still a rigid two party system.

To sum up, a rigid bipolar party system combines with a political culture of uncompromising views to render consensual reform options improbable. The paradox is that reform is not forthcoming even when there is a strong and disciplined parliamentary majority allowing a government to legislate at will. Still, one may claim that there is no paradox if one thinks of the quality and capacities of decision-makers. Indeed, other contributors to this edited volume (Monastiriotis and Antoniadis, in their chapter) claim that reforms have neither been documented nor well prepared by successive governments, so there is no wonder that many reforms have failed **over the last three to four decades**. However, assuming that at least some reforms were technically documented and well prepared by the government of the day, the key to the aforementioned paradox lies at the other two levels of our analysis, namely the administrative system and state-society relations.

Administrative system legacies impeding reform

Among the nine causes of reform failure, two causes, --bureaucratic obstruction and administrative incapacity--pertain to legacies of the administrative system. Such legacies include administrative fragmentation; lack of an administrative elite; lack of relevant policy expertise and ad hoc, last-minute, use of expertise offered by technocrats selectively invited by ministers to help with policy formulation; negligence of follow-up mechanisms; lack of technical and financial resources and inadequate infrastructure; inconclusive formulation and reformulation of new policy measures; centralization of policy making authority, to the point that details of policy-making are taken care of by the minister in charge and his or her entourage; absence of consultation among policy makers of complementary policy areas; and lack of interaction among related ministries and public organizations.

One key legacy, which should be underlined, is the lack of skilled personnel. An example is the lack of personnel capable to implement EU's First Community Support Framework (1st CSF), which was associated with the misuse of EU funds, and the Second Community Support Framework (2nd CSF), the absorption rates of which were very slow.

One has to add the lack of computer systems, the absence of modern management methods, the superficial in-service training given to civil servants, and the irrational distribution of personnel among administrative units, to be convinced that even in a utopian world with no political patronage, reform would not come from within the Greek bureaucracy. A minister enjoying political support on all sides would still have a hard time materializing a reform through the services of his or her ministry. This is the reason why governments have tried to circumvent the traditional hierarchy of ministries. New administrative institutions, task forces, and ad hoc committees have mushroomed over time and have been entrusted with implementing policy changes.

Legacies of state-society relations impeding reform

The political and administrative system may not be able to steer society, but then there is the possibility that society itself may not want to be steered. In the words of another former Minister of PASOK: “Generally speaking, the Greek political system is not able to produce substantive reform policies, while society itself does not accept significant changes. In Greek institutional culture and in society, the management of and investment in the future are unknown concepts.”^{viii}

One has to add several historical dimensions to this damning judgment. Legacies of state – society relations include bonds of political patronage among political parties and elites on the one hand and individual voters and interest groups on the other; the favorable treatment of certain professional groups and other categories of the population; interest group resistance; lack of trust towards almost all political and administrative institutions; absence of organized reform pressure “from below”, including from among the collective actors representing low-income strata; absence of conclusive deliberations with interested parties, for example during never ending deliberations with social partners; and reluctance of the private business sector and the liberal professions to espouse reform.

Thus, while one could justifiably blame labor interests for systematically resisting reform, one also has to think of the role of powerful business interests as well as the interests of liberal professionals (who, incidentally, are over-proportionately

represented in the parliament). On the one hand, blaming the trade unions of the public sector for reform failure is a case in point. They are the ‘insiders’ of the system as far as above average salaries, early retirement opportunities and good pension schemes are concerned.

On the other hand, the tremendous power of oligopolies which dominate large sectors of the economy, including food, pharmaceutical, retail, construction, mass media, and transport sectors, cannot be underestimated. Oligopolistic structures are partly to blame for the failure of regulatory reform of the market. In the same vein, one has to take into account the influence of selected groups of liberal professionals, including the chambers and associations of lawyers, engineers and doctors who have managed to obstruct reforms in the policy fields of their interest. An example is the resistance put by medical school professors who in the late 1990s abstained from their teaching duties for almost a year, because they did not want to abide by a new law according to which they would have to drop one of their multiple jobs (teaching at the university, practicing medicine at public hospitals, practicing medicine at private clinics and also keeping a private practice, all at the same time).

These examples manifest the key aspect of state-society relations which accounts for the failure of reforms: this is the collusion of private and public interests, either because individuals hold jobs in both the public and the private sectors or because businesses develop relations of dependence with the state and rely on a less – than - transparent flow of public funds, channeled through selective contracts, subsidies and low-interest loans.

Conclusions

In this chapter, I have argued that while at first sight Greece would be an ideal-typical case for reform successes, in practice reforms have not been forthcoming. There is a recurrent and widespread perception of state failure, with particular reference to stalled reforms. This perception is correct, even though after 1974 Greece consolidated its democracy, developed economically, joined the Eurozone and improved its infrastructure, achievements underestimated by most observers of the crisis of 2010-2011. There has been much more success at the level of creating new

institutions than at the level of formulating and implementing new public policies. In vital policy areas, for example, in central public administration, higher education, public pensions and social assistance, and environmental protection and town planning, there is reform failure. In all these sectors, new dramatic policy shifts were legislated under the government of PASOK in 2010-2011 and it remains to be seen whether attempted reforms will reach the implementation stage.

Large-scale theories, such as the historical institutionalist, rational choice and political economy approaches, may illuminate the larger picture, of whether a certain sociopolitical context has been conducive or not conducive to reform, but often do not focus on the particular constraints and obstacles to substantive policy change. At a less abstract level of analysis, it is common to argue that lack of planning of a reform or lack of implementation are the causes of reform failure. I have argued that even well planned reforms have fallen through and that while it is customary to associate reform failure with lack of implementation, this is but one instance or form of policy failure. After a new policy has been formulated by government, failure may take five different forms, namely a) taking back a reform before it is even submitted to the legislature; b) voting down of a reform in parliament; c) lack of implementation; d) no real change even after implementation; and e) quick policy reversal. To say that reforms fail because they are not implemented does not suffice, as it begs the question of the reasons why a reform has not been implemented.

Many of the inadequacies of policy reform, discussed in this chapter, are not associated with any kind of Greek “exceptionalism”. Similar observations have been made for other countries of Southern Europe (Gunther, Diamandouros and Sotiropoulos 2006). However, studying the case of Greece may provide a preliminary basis on which to construct the following hypothesis: after a government succeeds in having a reform voted by the legislature, a reform may still fail because of 1) rejection of the new policy measures by the courts; 2) government change, cabinet reshuffling or management turnover at the helm of institutions entrusted with reform implementation; 3) rejection of the reform by international institutions and particularly the EU; 4) bureaucratic obstruction; 5) administrative incapacity and in particular lack of skilled personnel; 6) underfunding or depletion of funds and other resources; 7) resistance by a strong coalition of popular social interests; 8) resistance

on the part of powerful socio-economic elites; and 9) inertia or indifference on the part of prospective policy-users.

The conclusion is that explanations of reform failure are more differentiated and more complex than is often thought. Reform failure cannot be accounted for by calculations of political cost or financial constraints or party competition alone. The nine causes of reform failure, occurring even after a reform has been legislated, have been discussed at three analytical levels: the levels of the political system, the administrative system, and state-society relations. Historical legacies in all these levels create constraints on reform.

At the level of the political system, there is an almost 40-year long legacy of Greek governments usually placing reform priorities in defence and in the national economy above priorities in other policy sectors; and a tradition of polarized party competition and conflictual political culture. At the level of administrative system, there is a legacy of weak state capacities. Finally, at the level of state – society relations, there is a legacy of exclusionary intervention of the state in society, systematically favouring powerful interests at the expense of others and allowing the former to obstruct reforms.

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ⁱ I owe this formulation to Haridimos Tsoukas.

ⁱⁱ Anonymous personal interview with former minister of ND, Athens, 27 April 2009.

ⁱⁱⁱ Anonymous personal interview with former minister of PASOK, Athens, 6 April 2009.

^{iv} Anonymous personal interview with former ND minister, Athens, 30 April 2009.

^v Originally, a similar provision was included in the constitutional reform of 2001 and became part of the Greek constitution. Law 3021/2002 dealt with the details of the constitutional provision. It was the amendment of the latter law in the beginning of 2005 (law 3310/2005) which clashed with EU legislation and was soon cancelled by immediate subsequent legislation (law 3345/2005), passed in October of the same year.

^{vi} I owe this point to Haridimos Tsoukas.

^{vii} Anonymous personal interview with former Minister of ND, Athens, 30 April 2009

^{viii} Anonymous personal interview with former Minister of PASOK, Athens, 8 April 2009.