



The *metapolitefsi* at 30:  
Why is Greece Becoming Harder to Govern?

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Greece is a fascinating political system to consider for a variety of reasons. Within the context of Europe, it raises a number of important questions about the relationship between the European Union and its member states. The argument I wish to put forward in this lecture is the following. Domestic change in Greece has, in some basic aspects, been tremendous. Politically, Greece since 1974 has made a profound transition from dictatorship to parliamentary democracy. The Third Greek Republic combines a number of very important attributes, not least that it is the most inclusive and legitimate political regime modern Greece has ever known. However, within the process of this transition, there are fundamental questions about the governability of Greece that affect the capacity of the economy and society to adapt to external pressures. Many of the endemic traits of Greek society that have historically weakened the Greek state remain, albeit often in new forms and with new additions. These traits limit the liberalization of the State and society. In addition, however, the internal sources of weakness have been confronted by a new source of pressure that is both deep and broad in nature: the impact of European Union membership and a process of regional integration that has moved well beyond that originally envisaged when Greece joined the Community (as it was then called) in 1981. The combination of internal social weakness and external EU pressure constrains the contemporary Greek state in ways that are both more complex and more severe than anything witnessed in post Civil War Greece.

Hence, the transition to democracy and the impact of European integration has left Greece with a political system in which *governments* find it increasingly hard to *govern*. This is not to condemn or excuse the failures of any one government or any one political leader: my argument is set at a systemic level and relates to all recent governments, as well as the present one. The characterisation of the Greek state that I put forward here seeks to identify the current and future dilemmas on governance that arise from the indigenous limitations on the processes of 'modernisation' and the external challenge of 'Europeanisation'. Increasingly, reform expectations clash with accumulated and deeply-set interests and privileges; adjustment to external demands displays delays, crisis and partiality. The problem of governance involves heavy costs and limits future options.

### **A stylised model of Greek politics**

What do we know about the traditional features of Greek politics and policy-making? A body of literature on Greek politics gradually developed in the 1970s and 1980s. At the risk of some vulgarisation of this scholarship, let me highlight the following themes, which are relevant here:

- The Greek State structure is a colossus with feet of clay: large, ill-coordinated, and inefficient, but also socially weak.
- Its relationship to the rest of society is marked by 'rent-seeking' behaviour, clientelism, and sometimes corruption.
- State administration suffers from a suffocating legalism and centralism.
- Business and labour are linked to the state in a peculiar system of 'disjointed corporatism'.
- The public policy process is dependent on 'heroic leadership' by individual ministers.
- Civil society is weak and participation rates low.
- Political culture shows a deep mistrust of the state.

These are almost established 'truths' in the academic literature on Greek politics. But, our experience of the Greek state and of Greek politics is fulsome with everyday examples of the continuities in Greek political culture. Inevitably, given the length in office served by PASOK, the Greek socialist party, many of our anecdotes are related to its personnel and interests. But, what these anecdotes show is so consistent with a wider pattern that only the most partisan would claim they are fundamentally unique in nature.

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I recall the story told to me by the former head of a major public enterprise in Greece. The Government was proposing a new law to tackle nepotism and clientelism in the public sector. The law became known as the 'Peponis Law', after the Minister proposing it. My contact fully supported the overall objective of limiting the scope for corruption in the appointment of individuals to public posts. However, he went to see the Minister and said that the new law would damage his enterprise. The law proposed to privilege job applicants with disabilities or those from large families or other criteria. The effect on hiring would lead to the appointment of people unsuited to the

particular tasks needed by his enterprise. In their meeting, the Minister refused his request for an exemption from the new law. Nepotism and corruption within state enterprises had to be tackled. Just one hour later, the Minister's legal adviser (on fighting nepotism) called my contact to ask if he could give a job in his enterprise to a relative of his! The social tensions of modernisation are to be found in single individuals.

Clientelism feeds the interests of the political party in power and few are prepared to take the risk of not engaging in 'rousfetti' politics. A former Minister of National Economy asked me: how many Greeks realise that when new Ministers of National Economy have taken up their post, many have requested the state banks to pay salaries to friendly journalists in the media in order that they'll write favourable reports about the Minister? According to the contact, the practice has involved tens of journalists being paid each time there has been a change of Minister.

The clientelism involved in public sector appointments is widespread, as is the 'hidden unemployment' of the state paying the salaries of too many people. I think of the former student of mine who obtained a post in a public agency linked to the Ministry of Labour, which was funded by a grant from the European Union [National Employment Observatory, 28. 10. 98]. He entered as a young technocrat and was soon enveloped by the problems of the 'party-state'. What he told me is, I believe, fairly typical. This is what he said:

"My post is entitled 'Research Director'. I have a staff of 5-6 people, each of whom have overseas qualifications. They work well together. There is an 'Administrative Director' who is in overall charge. There are some 27 clerical staff. Each of the 27 was appointed because of their political connections. They are the 'rousfettia'. The Administrative Director knows he cannot assert much authority over the clerical office because any one of the secretaries might use their political connections to damage him and protect herself. The clerical staff is a zone of tremendous waste and inefficiency. Many cannot even use a computer. They must sign at the beginning and end of each day, to confirm their presence. But, what they do in between is their business: they disappear in working hours for very long periods, with no authorisation. Last week, I needed a file and I found that the only secretary with the relevant key was out of her office at the hairdressers. I had to phone her on her mobile. If we had just five secretaries working properly, it would be a great improvement on the 27 who are a law unto themselves. But that's the rousefettia for you and who can do anything about it?"

Other examples of 'hidden unemployment' abound, of course. The plight of Olympic Airways is well known. A former Minister told me of the situation in the late 1990s. At the time, Olympic Airways employed 1,200 cabin attendants for its planes. However, only 210 of these were operational – that is, less than 20% of the attendants actually paid by Olympic. But the airline needed 500 flight attendants, so it had to employ 300 on an overtime basis. The wages bill had to cover vast amounts of overtime, despite the fact that it had five times as many attendants as it needed! Still with Olympic, another former Minister told me of the case of some 2,000 employees of

Olympic Catering being transferred from the company directly to the Ministry of Health. The purpose, of course, was to make Olympic Catering look more efficient without incurring the political cost of large scale redundancies. But, as the relevant Minister of Health commented, what was he supposed to do within 2,000 ex-catering staff in the Ministry of Health? Hide them and engage in political appeasement might well have been the reply.

In choosing these anecdotes, I have deliberately not chosen to mention the reports in the media of recent political scandals. I will pass over these:

- The bypassing of the normal planning regulations and procedures in relation to the forestry land purchased under the *junta* by Yiannis Carras. The ministry of agriculture, under PASOK, proposed an legal amendment to give special status to these lands – allowing new buildings on them.
- And I will not make the ‘Neonakis scandal’ part of my argument. Both Michalis Neonakis and Stefanos Manikas – PASOK Members – were apparently involved in massive speculation on the stock market. The allegation was that they were able to use privileged information in order to make great gains. The official investigation (by Stavros Thomadakis) later cleared them of any illegal activity.

These public scandals are not part of my argument. Instead, the examples that I have cited are more varied and more indicative of a wider political culture. The examples show how basic features of Greek political culture continue today. The ‘modernisation’ of Greece has not seriously challenged the deep-rooted social attachment to patronage, clientelism and, not infrequently, corruption. The prevalence of such attitudes – at all levels - constrains the ability of the State to adapt to more liberal agendas, whether prompted by domestic pressure or externally by the European Union.

The domestic position of the State has become more complex and constrained than that witnessed in previous decades. If we examine the domestic reform agenda of economic liberalisation we see that there are severe constraints on the capability of the Greek political system to adapt. The reform agenda is thwarted by the weakness of the state’s own position; the strength of union and sectoral interests; and the ambiguity of public attitudes. Clientelism in the state machine undermines the quality of its personnel and the availability of the appropriate expertise. Independent and high quality think tanks are practically absent in Greece. Instead, Ministers must rely on their own advisers – the effect is to isolate the Minister and make him/her vulnerable to a political backlash when reform is attempted. Should a political backlash occur, other ministers in the government will realise they have conflicting political and electoral interests. The will and purpose of the government will be weakened and divided – the Minister is left isolated to manoeuvre between the political pressures. The Minister plays multiple roles – policy leader and political strategist – but largely alone.

The challenge to a liberal reform agenda will come from vested interests, like the unions, who have accumulated extensive privileges. The nature of union representation within the main labour confederation – GSEE –

means that it is dominated by the unions of the public utilities (e.g. the recently partly-privatised telecommunications corporation, OTE) and the unions of the banking sector (OTOE), most of whom have enjoyed secure employment with many privileges. ADEDY (the union of higher public servants) also combines a strong political voice and an interest in status quo privileges. The interests of the wider community are squeezed out, with relatively little political voice. Moreover, and this is crucial to the nature of the Greek transition to democracy, union power and privileges have increased very substantially since 1974. Those constituencies politically excluded by the previous regime of post Civil War Greece were brought into power by PASOK in the 1980s. Successive governments have accepted their new political power. With PASOK, the excluded but favoured could now claim, 'We are the masters now' and they have acted to maintain their privileged sectional interests on distributional issues of public policy.

At the same time, there are structural problems with the representation of business interests. The employers' confederation – SEV – is dominated by a few very large firms, some with a history of state-ownership. These benefit from privileged contracts and special arrangements with the State in a political bargain of mutual advantage. The incestuous relations breed insularity and a complacency: with firms holding on to labour peace and stability, wary of system challenge. In short, SEV as the main business lobby is paradoxically not a natural ally for economic liberalization. Medium-sized firms in the private sector, who would be natural coalition partners for economic liberalization, lack their own effective representative association and thus have a far weaker political voice.

The constituency for market openness, flexibility and de-regulation is thus relatively small: structurally isolated and socially distorted. Governments pursuing liberal reforms not only lack coalition partners, however. In addition, there are the ambiguities apparent in the attitudes of the wider Greek public. Olympic Airways is an embarrassment, with its inefficiencies and indebtedness. But public opinion believes that it should fly to the Greek islands, fly to Melbourne, whatever the economic cost in order to fulfil social obligations. The pension system is a complicated mess and is unfair to some, but the average voter insists that reform should not affect him/her. The public sector hides outrageous practices and privileges, but any individual Greek civil servant you might talk to is an island of efficiency and commitment within the anonymous system. These are, of course, natural defence psychologies, but the point is their strength and pervasiveness, alongside the other systemic features of social representation in Greece.

Government weakness, divided political purpose, the power of public sector unions, the absence of a politically strong constituency for liberal economic reforms, and the ambiguities in public opinion – each of these factors are apparent in the recent major cases of attempted 'modernisation'. I would like to highlight three cases where the Simitis Government attempted to introduce modernising, liberal reforms. All three cases presented severe challenges of political capability and all three finished with very modest reform achievements. The three cases are: pension reform; labour market reform;

and the attempted privatization of Olympic Airways. All three cases present a picture of a system nearing gridlock, with the will to reform diluted by entrenched opposition defending privileged interests. All three, however, link the domestic initiative for 'modernisation' with the new demands of the European Union's economic agenda. All three relate to the EU's so-called Lisbon 2000 agenda, which seeks to make Europe 'the most competitive and open economy in the world'. In short, all three display the basic problems of governance in contemporary Greece – they help to illustrate why Greece has become harder to govern.

System capabilities fail to match expectations. Expectations are a mix of pressures: partly domestic, partly European. The domestic constituency promoting 'modernisation' covers, of course, both more and less than PASOK. 'Modernisers' promoting economic liberalization are but a faction within PASOK, not the full party, while support for broadly similar principles is found in other parties and groupings. Crucially, the 'modernization' agenda is consciously defined and largely authored by the agenda of the European Union. The legitimacy of 'Europe' in Greece creates a powerful political pressure.

The problems of the pension system in Greece have proved intractable. Successive governments over the last 15 years have attempted to reform the system and none of them have achieved very much. It is striking how much of the reform agenda has been shared by successive ministers, advisers and consultants. There is substantial agreement on the problems of the pension reform agenda: the basic principles and objectives of reform are largely shared. Moreover, many of the problems of pension provision in Greece are the same as those found elsewhere in Europe: in short, a mix of social and demographic changes together with fiscal pressures on the welfare budget. The European single currency requires stable government finances and the escalating costs of pensions is a prime target for savings. However, the will and capability to reform has been ground down in Greece by the conflicting pressures of the political system.

'Governance' has failed. The process is gridlocked, with each of the protagonists defending their special interests. The current beneficiaries act to defend the distortions of the present system. Moreover, because past reform attempts have failed, they are encouraged to resist the latest attempt. It is rational for them to believe that if they are determined they will be able to retain their privileges. In addition, understanding the technicalities of any major pension reform package is so difficult, especially in terms of who might lose and who might win from the reforms. Confusion breeds caution, but it also allows emotion and populism to take over with scare stories in the press making reform even more difficult.

The record of reform has been of unfulfilled promise. An emergency, short-term package was passed by Nea Dimokratea in 1990 (the 'Souflias Law'). Then, Stefanos Manos, a radical economic liberal, attempted to introduce more substantive reforms. The law passed in 1992, however, was a pale shadow of what he had originally proposed. Nothing then happened until

Simitis took over. He referred the matter to a committee of experts – the Spraos Committee – that reported in 1997. The report was savaged after leaks in the press and it was abandoned. Another radical initiative, this time by Tassos Yiannitsis, in April 2001, also failed. PASOK soon disowned it, as politically too controversial. Indeed, GSEE called a general strike. PASOK now said the matter would be sorted out within a ‘social dialogue’, with unions and business. The dialogue did not produce a solution, however. Instead, a new set of reforms were introduced by Dimitris Reppas in June 2002. His proposals were fundamentally timid and consensual: so much so that the public response was very muted. His core idea was to spend more on pensions in order to buy peace and trust. The system was partially modernised, but the objective of bringing expenditure under control was not. Pension reform remains an issue for the future, but too hot to handle in the present.

What do we note from this chronology? For the Government, the will to reform rests on the relevant Minister of Labour and the Minister of National Economy. The will to reform is shaped by concerns for social equity and for fiscal stability. The support of successive prime ministers has been distant: balancing reform against the political costs. Other ministers and the rest of the governing party have been even more sensitive to the risks of a public backlash and the electoral cycle. The costs of failure are high and immediate; by contrast, the gains – to public finances – only come in the long term. Beyond government, there is little support or legitimation available to ministers from independent think tanks – because they barely exist – nor do individual experts have sufficient public voice. Thus, ministers in charge of reform have been left politically isolated and overburdened.

Capabilities have been limited and the end result has been a series of piecemeal reforms. Such outcomes further undermine the process: promises are broken, without a stable solution being found. So, trust and cooperation is further undermined.

My second case is the attempts by PASOK to restructure Olympic Airways, the state-owned airline. The stimulus to reform came from EU competition policy, restricting state aid to commercial enterprises; the deregulation of the EU air transport sector; and the discipline on government finances imposed by a single European currency. Such policies clashed with the Greek tradition: of over-employment, clientelism and rousfetti in the public sector. The shift of policy was paradigmatic for PASOK. It had introduced legislation under Andreas Papandreou in 1984 and 1988 which had substantially worsened the problem of inflated labour costs in Olympic. In particular, holidays and pensions had been vastly increased for flight attendants – the so-called ‘Dimitra’s Law’, after Andreas’ then mistress had wielded her personal influence.

From 1994 onwards, however, PASOK ministers tried every strategy imaginable to restructure Olympic: the options ranged over cutting staff, changing employment contracts, finding a foreign strategic partner, selling the whole company off, and breaking the company up to sell in parts. Each of the

attempts failed to resolve the company's problem. There were strong impediments to overcoming the problems: Olympic survived on state favours; many were dependent on it domestically, with various kinds of contractual privileges; management was often weak and politically dependent; and the unions were both strong and structurally complex. Beneath OSPA, the umbrella union, ministers had to negotiate with some 17 different unions in Olympic. Employment contracts varied in their legal form and there were some 95 different collective agreements with Olympic staff. The employment structure was confused, but grossly inefficient. No credible bidder wanted to buy Olympic. Government seemed unable to break the traditions of Olympic Airways and comply with the pressures from the European Union.

A solution of sorts was reached at the end of 2003. Christos Verelis as Minister of Transport created a new firm, Olympic *Airlines* rather than Olympic *Airways*. The strategy was to oblige workers to join the new company on the basis of different employment contracts, ensuring greater efficiency. The initiative required careful strategic planning. The Government was not in a strong enough position to take on the pilots' union (EXPA) and its privileges. Instead, the target was Dimitra's former colleagues: the flight attendants – in EISF – who were in any case a bigger financial problem. The flight attendants went on strike for 76 days, but following a pre-election intervention by George Papandreou the strike was broken. A third of the flight attendants took early retirement, on generous terms: equal to 800 euros a month for the rest of their lives, if they'd worked there for 15 years or more. The Verelis package was costly. It also required difficult negotiations with the European Commission about state aids with some 200 million Euros at stake. (an ECJ decision on this will be published this Spring). In domestic terms, the end result was not a radical transformation of the company situation – more a clever and costly compromise. Government had not won a major liberalization battle.

Pension reform and privatization are both areas, admittedly, where there are likely to be winners and losers. It's a zero-sum game and the losers will seek to block and veto initiatives. The process is inevitably a hard one for governments to assert their strength.

My third and final case is perhaps the most telling in the context of my argument. The reform of the Greek labour market is a case where the outcome might produce many winners, if only interests were updated and redefined. Yet, even in this case, governments have failed to achieve radical shifts – instead, there have been only piecemeal reforms, easily dismissed as too little, too late. It is, therefore, a prime example of the problems of governance in Greece: the failure to achieve reforms of general benefit due to the political system being gridlocked by entrenched, special interests, weak and divided government, and uncertain public opinion.

Since the mid-1990s, there has been almost universal agreement on the failings of the Greek labour market. Despite high growth, unemployment has also been high. This mix has highlighted the problem of rigidities in the employment sector. Moreover, some modern patterns of employment have been unregulated, leaving part-time, contract and seasonal workers



unprotected. In addition, there were large discrepancies in the employment protection offered to public and private sector workers. The influx of immigrants made the shortcomings of regulation even worse.

When the Simitis Government took up the cause of reform, it linked it to the revival of a social dialogue between government, unions and employers. The strategy was clear: government would seek consensus and thereby minimise the political costs involved in reform. The 'social dialogue' was initiated in March 1997. Consensus between the partners proved elusive, however. A 'Confidence Pact' was signed the following November only by a wafer thin majority in GSEE. All other political parties denounced it. The Government had had to pay a heavy price to secure the Pact. The Pact contained only very general targets and it was very vague and tentative on labour market reform. By early 1998, PASOK's relations with the unions had worsened considerably. Yannis Papantoniou, as Minister of National Economy, announced an amendment to a new law in order to give public sector managers the right to unilaterally change the labour regime in their corporations. A larger package of labour reforms was then introduced by Papaioannou as Minister of Labour in summer 1998. The unions felt betrayed: the new law included issues there had been no agreement in the social dialogue; indeed, the law even covered issues that had not been discussed in the social dialogue.

The employers and Nea Dimokratea were unimpressed by Papaioannou's package – it seemed incomplete. Simitis also came to see it as incomplete. So, his new Minister of Labour after April 2000, Tassos Yiannitsis, was charged with introducing more radical changes. Yannis Papantoniou warned the unions they were in for a 'shock'. Yiannitsis proposed a new 'social dialogue' with unions and business – but this time it would have a different structure. It would be quicker and mostly bilateral, with Government having separate talks with unions and employers. By September 2000, Yiannitsis had published his new proposals. They again alienated the unions, while the employers were unimpressed. SEV claimed Yiannitsis' law would actually increase labour costs by up to 8%. Within the government and PASOK as a party, there were major splits. Both Tsochatzopoulos and Pangalos, as Cabinet Ministers, denounced Yiannitsis' reforms. Simitis had won a pyrrhic victory: the tensions over the new law had further undermined the process of the social dialogue; and this mistrust would spill over and make his efforts on pension reform more difficult. Ultimately, the new measures on employment were neither radical nor consensual.

What conclusions can we draw from this particular case? Firstly, the foundations for a stable social dialogue do not really exist. The structure of representation amongst the unions and business organisations is distorted – the public sector is advantaged over the private, the voice of medium-sized firms is politically weak, whilst the biggest enterprises rest on the stability offered by state contracts. These structural distortions squeeze out the natural constituency that might support increased employment flexibility. The most powerful unions represent workers protected from job insecurity, have

little interest in job creation and seek to protect their privileges. Union interests are short-term and defensive.

Secondly, government treated the social dialogue in an opportunistic and 'unconsensual' fashion. The government showed a divided purpose, unclear in its interest and intentions. Its behaviour weakened trust in the process by both unions and employers.

Thirdly, the case of the Simitis Government and labour market reform is again one of unrealised ambition. The reforms have not met the expectations of the European Union. In the case of labour market reform, special interests blocked gains for new forms of employment (like part-time workers) and left vulnerable workers with too little protection. Market rigidities sustained high, structural unemployment. The system of governance had again not delivered the goods.

### **Conclusions**

The conclusion I draw from these examples is one of *increasing system tension, if not system failure*. Admittedly, the task of government in Greece has never been easy. It is also true that throughout her modern history, Greece has experienced the intervention of a variety of external powers, crucially affecting her domestic political autonomy. So, what's new?

What is distinctive about the contemporary situation is the combination of a set of factors:

- The domestic constraints on government have become stronger. The relationship between government-unions-and business has precluded consensual politics. The power of the public sector unions has vastly increased. The domestic constituency for liberal market reforms – for a break with the statism of the past – is smaller in Greece today than in most European states. Thus, in the domestic context, the task of *governing* has become harder. These are real structural weaknesses, rather than the timid perceptions of ministers. [We might add to these constraints the problem for reform by consensus created by a more diverse and often sensationalist media. Serious debate and the scope for compromise is too often squeezed out by populist campaigns, stirring up suspicion and old emotions.]
- Alongside the constraints on government, are the rising expectations placed upon it. The expectations combine both domestic and external pressures. A domestic constituency, typified by the aspirations of liberal, middle class professionals, seeks 'modernisation'. Their attitudes are not one of complacency about the need for change. It is precisely this social constituency that swung to support the election of Simitis in 1996 and 2000, but which then deserted PASOK in 2004 in favour of Karamanlis. As an electorate, this constituency is less hide-bound by the past, less ideological and more prepared to reward and punish the party in power. Other changes are underway in the Greek electorate, but this particular change is probably the most focussed and consequential of recent times.

- The domestic constituency for 'modernisation' defines itself – to a very significant degree – by reference to the demands of European Union membership. The pressures for cleaner, more efficient public administration with respect to the handling of EU regional aid are linked in the domestic disappointment and external aspiration of such voters. Just a few weeks ago, the European Commission threatened to suspend some regional aid to Greece because the administration in Athens was failing to comply with certain procedures. The controversy in 2004 over how Greece reported its fiscal accounts under EMU was a further clash of domestic culture and European standards. The European Union's Lisbon agenda seeking liberal economic reform across member states represents a continuing challenge for countries like Greece. Indeed, the Commission's recent report on the progress with Lisbon stresses the misfit between Greece and the European Union's expectations. Specifically in relation to Greece, the Commission recently criticised her for her slowness in correcting her budget deficit and reforming her labour market and pensions systems [EU Implementation Report: Athens News Agency, 28.1.2005]. Domestically, the Karamanlis Government has proclaimed 2005 as the 'year of competitiveness', following a suggestion from the employers' federation. The agenda of flexible, open and competitive markets will thus continue as a key test for Greece.
- Also, with the enlargement of the European Union to the east, Greece can expect a smaller share of the EU budget – so reducing the level of development aid and loans available. So, Greece faces a more challenging time in Europe: being pressed for further structural reform, and with less development aid.

So, the domestic constraints on the capabilities of Greek governments co-exist with increasing European pressures and rising domestic expectations on them to deliver.

Greece is not failing to adapt to the new external pressures because Greeks at home are happy with their lot. The slowness of change is not because of mass contentment. Rather, contemporary Greece is marked by the pressures of modernisation; pressures that clash with the structures, practices, beliefs and values of traditional culture. Historically, Greece has long suffered from a 'cultural dualism' (as Diamandouros has written), but the internal tensions are now located in a more complex setting. Greece is not the only European state to encounter the twin pressures of rising expectations and weak state capabilities. But the problems of her governability are complex and intense, presenting real dilemmas.

My aim has not been to dismiss all recent reforms. The Simitis Government, in particular, implemented a number of important changes. The establishment of the new office of 'Ombudsman', for example – and the appointment of someone of the quality of Nikiforos Diamandouros to head it – represents a significant liberal achievement, given the Greek bureaucratic tradition. Greece also received lavish praise for her staging of the Athens Olympics last year. No matter that the preparations were delayed, over-

budget and sometimes corrupt. The system did deliver an outstanding Games. Indeed, the experience leads to the question: might this example show that Greece can meet international expectations when the pressure is really on? Unfortunately, I am not convinced that the example is directly relevant to Greece's long-term position in Europe. The Olympics had a tight deadline and the political cost of failure would have been huge and immediate. These conditions do not apply to the European Union's current economic agenda: where the failure to meet the objectives is not so clearly tied to a timetable and the costs of failure are the gradual ones of marginalisation within – and not outside – the Union.

If the Greek political system faces such tensions and constraints, how can it break free? What is the solution to a system of governance based on domestic gridlock? One solution that is not realistic is the traditional one of seeking salvation via a new cast of heroic leaders. The essence of the problem is of the divorce between individual leaders and system processes, so a change of personality is too superficial. Nor is it feasible for Greece to undergo some kind of Thatcherite bloodbath, with government seeking to defeat and suppress organised labour. Greek society would not countenance such draconian and divisive steps.

Political escape will have to be more gradual and more wide-ranging. The problem begins with the policy process – so it is the policy process and its social context that needs strengthening. This is neither quick nor simple. Domestic blockages ('veto-points' to reform) are powerful in Greece because of the way in which the policy process is often structured. Power is given to the major unions and business organizations by both government and public opinion. The policy process needs to be restructured, with government bringing other voices into the process, to widen the pattern of representation. But government also needs to shift public opinion, to undercut the social power of the peculiar corporatist system (of business and labour) that exists in Greece.

The policy problem begins with the isolation of the individual government minister, who is overburdened. The isolation of the Minister is, firstly, as a policy leader initiating reforms. The Simitis Government attempted to create a new policy style: more technocratic, transparent and inclusive. It was neither enough nor was it consistent. A wider policy community has to be fostered and legitimated. The creation of more independent policy think tanks – that are well-resourced and managed, but truly ecumenical and divorced from political parties and leaders – would be a helpful step. But individual experts as well as think tanks need to acquire a stronger, more independent voice in domestic debate. Again, this is a matter of a shift of social attitudes.

Alongside these changes, the reform of the state administration is again a pressing issue. There has long been a widespread consensus on the need to change the internal bureaucracy of government. It has been overcome by the strength of clientelism and corruption in the public service, however. Rousfetti politics is pervasive. The Karamanlis Government announced reforms to the civil service in 2004 intended to increase its quality

and efficiency. These have already been attacked as an excuse for rousfetti by ND. The new system for the appointment of senior administrative officials – the directors and the director-generals – involving selection by committee and employment for set periods, seems open to abuse. The selection stresses favour, rather than equality of standards and Greek conditions may distort the model.

A second way in which the individual Minister is isolated is the way in which recent governments have displayed a divided political purpose: torn at their very core by conflicting interests, allegiances and strategies. This obliges the individual Minister to be a cunning political strategist, unsure of the support of his own side and facing powerful opponents. The divisions within recent governments have been a reflection of the wider social tensions and they are not easily overcome.

The problems of divided political purpose emanate from the conflictual culture of the political system. The absence of social trust – or the weakness of 'social capital' – has made dialogue and concertation very difficult. Isolated, autonomous initiatives by government cannot deliver serious domestic reform. Instead, as we have seen, it delivers piecemeal outcomes or the avoidance of the most serious issues. PASOK attempted a social dialogue, but then dismissed it.

To establish an effective social dialogue, the peculiarities of Greek corporatism need to be overcome. The structural advantages of public sector unions over those in the private sector, the complex union structures and labour agreements; the weak voice of small and medium sized enterprises, the cossetting of the small number of very large corporations by state favours and contracts: each of these features distort social representation and preclude a focussed policy dialogue.

Ultimately, the system of governance reflects the structure of society and the nature of public attitudes and beliefs. Greek public opinion has shown an ambiguity to liberal reform. In recent years, it has also shown an increasing ambiguity towards 'Europe'. In the 1980s, Greece expressed an ambiguity towards Europe and the West via a maverick prime minister. In recent years, a maverick Archbishop – Christodoulos – has questioned the compatibility of traditional Greek values with what he sees as the failings of Europe and the West. The agenda is vastly different, but the Archbishop reflects the uncertainty of Greeks as a whole as to where they belong.

In short, it is a logical consequence of the problems of Greek governance that they cannot be easily or quickly overcome. It is difficult to choose between optimism or pessimism in the immediate period. But, if we assume that European integration will continue to deepen in the long-term and if we also assume that economic and social change will gradually broaden the domestic constituency of liberal 'modernisers', then the mix of external pressure and domestic aspiration will almost certainly intensify. The governance of Greece faces increasing tension, as it moves towards system defining choices. Greek governments will continue to be bedevilled by

problems of delivery and accusations of ignoring serious reform. Capabilities are increasingly in question. But, from the vantage of Greek modernisation, Europe is a key source of pressure and it may also come to have the force, in the long-term, of defining its own solution.

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Dr. Dimitri Pallas, a native of Greece, studied at the University of Athens and did graduate work in the United States. He was Senior Staff Cardiologist at the Division of Cardiology in the Henry Ford Health System at Fairlane. He is a Founding Member of the American Hellenic Congress and Founder and President of the Foundation for Modern Greek Studies. Irmgard Baier Pallas is a native of Germany and fluent speaker of Greek. She has taught German Language and Literature at the Goethe Institute in Athens and at Wayne State University.

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A gift agreement, negotiated between the Foundation for Modern Greek Studies and the Regents of the University of Michigan for the benefit of the College of Literature, Science, and the Arts, established the Dr. Dimitri and Irmgard Pallas Annual Lecture in Modern Greek Studies. Its purpose is to provide an annual lecture “to promote greater awareness of modern Greek history and its artistic, scientific, philosophical, ethical, political, and other contributions to civilization. Drawing on its ancient (classical) and Renaissance (Byzantine) traditions, Greek culture has continued to explore and disseminate the values of *logos*, *cosmos*, *polis*, *episteme*, *techne*, *philia*, *phronesis*, *metron*, and above all *anthropos*. These values are of central importance to the contemporary quest for a shared, meaningful world.” The lecture will bring annually to Michigan an eminent speaker of international reputation who offers new views on significant phenomena by drawing on the Greek experience since the end of the Byzantine era.

