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Effects of Economic and Monetary Union on the Greek Political System

Dimensions of the Current Crisis

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THE 1996 CLEAVAGE, PREDOMINANCE OF MODERNIZATION AND ITS BASIC CONSEQUENCES ON THE PARTY SYSTEM

1996 became "a year of convergence" in Greek politics. In one of the two major parties, PASOK (Panhellenic Socialist Movement), the ruling power shifted from social democrats who traditionally steered the party's policies to liberal modernizers who took advantage of the emerging wave of the neoliberal ideology. This change has been consequential in three ways. Firstly, it marked the conclusion of PASOK's transformation from a leftwing party of social change to a center-left party of the mainstream ideology. Secondly, it ended the political plurality in the sense that the country's two major parties; the socialist PASOK at the center left and the conservative New Democracy (ND) at the center right converged to the level of indistinctness. Lastly, this change led to a mutation of the political competition into a bipartisan consent, and marked the beginning of the struggle in Greek society that had conventionally functioned under the reflexes of a welfare state.

These changes were correlated with the European orientation of the political climate in Greece at the time. Approximately fifteen years into its membership to the European Union, Greek government sought to reform its economy in order to prepare it for membership to the European Monetary Union (EMU)—which happened in five years' time. The country's

policymakers privatized many state-owned and operated enterprises, lifted trade restrictions for goods and services from other EU countries, cut social expenditures dramatically, and emphasized private enterprise for the sake of the EMU. The ideological consensus on the macroeconomic approach Greek should follow spelled the end of political competition in Greece, and the two major parties began to overlap on their program, applied policies and the electoral base. The philosophical pillar, on which this transformation took place was neoliberalism that declared its hegemony in Europe in the 1990s. Distinctive characteristics of this approach were loyalty and priority of markets, introduction of foreign competition to the domestic economy in order to improve it, consideration of the public sector as an inherently unproductive sector that creates budget deficits and inefficiency, and finally the theory that the role of the state in the economy needs to be minimized.

While PASOK's modernizers and ND's neoliberals were differently enthusiastic about the ways neoliberal policies would be implemented, the market was the top priority for both of them. They shared the belief that the statist form of the Greek economy had to be converted into one, in which the relationship between the state and the private sector was loose, regulatory jurisdiction of the state was restricted, and the markets would be allowed to regulate themselves by means of the pricing mechanism.

In general, the convergence of the major parties can be identified in four areas. Firstly, it referred to an agreement over the supremacy of economic consolidation over political concerns. The Maastricht Treaty in 1992 envisioned a European Union as a peculiar structure that is not particularly compatible with the pictures of a politically unified European Union composed of equal financial partners.¹ In the following years, additional treaties and an increasingly bureaucratic decision-making mechanism would restrict sovereign policy making even further. The treaty has become an official institutionalization of neoliberalism in Europe, which was prioritized over the ideal of political unification. Creation of an economic and monetary union, and the establishment of a single continental currency have become the new priorities. Economic and monetary policies are statutorily kept over the instruments of political unification. The core feature of the new European Union became a continental market economy open to free competition from other European traders. Legal convergence was also required as a condition of adopting the euro and joining the EMU: "The national legislation must be compatible with the treaty for the foundation of the European Community and the statute of the European System of Central Banks." The process of economic and monetary union was organized around a set of financial criteria based on the philosophy of neoliberalism, which often functions as an attack on public interest. Reducing budget deficits that

are argued to be a product of an overspending welfare state has become the primary goal for every member state.²

The second characteristic of the political convergence in Greece was an acknowledgement of private sector's primacy over the state. In this view, market is the most essential piece of the economic system, and government regulations ought to be minimized in order to support it. Any intervention of the state in the economy—including the very idea of the welfare state—"distorts the natural functioning of the market," and should be avoided. Crises are the products of restrictions, not malfunctions, in a self-regulating economy.

The third approach was an introduction of an authoritative legal-institutional framework that consistently violated the country's democratic credentials. As the new policies that downsized the welfare state unavoidably restricted social rights, an undemocratic legislative framework was put in use in order to prevent and quell the social instability attached to it. Belantis Dimitris notes in his 2004 book entitled *Seeking the Enemy Within: Dimensions of Anti-terrorist Policy* that an intolerant government approach to social unrest has become a staple of both ND and PASOK leaderships since the 1990s.³

The last transformation in Greek governance within the context of neoliberalization was the emergence of a common language that presents various domestic problems as a "national" problem. This change in the political discourse was an outcome of the motivation to bundle together a myriad of problems, each of which derives from different class struggles, so that their individual sources could be concealed and a consensus around their resolution could be formed. Abovementioned convergences in Greek macropolitics began to rise in 1990s and accelerated in 1996 when PASOK earned the ruling power.

As shown by the two parties' election campaigns,⁴ PASOK demonstrated an ideological change since 1993, and approached the center of the political spectrum as its discourse turned from ideologically vibrant to conspicuously pale. On the contrary, ND followed a slower pace of change, and remained more or less close to the center of the spectrum. Convergence of the two main parties at the center has been a detrimental factor in the political and economic order as it marked the end of political competition in Greece.

Two surveys about the attitudes of political leadership in Greece in 1993 and 2000 unveiled the ideological shift towards the center within PASOK and ND leadership.⁵ The survey in 1993 revealed that the ruling elite within the two political parties were divergent on several policy issues. PASOK leadership supported constitutional validation of the welfare state, expansion of the parliamentary power against the administration and the executive branch, decentralization of governance, and application

of environmental policies. ND leadership, on the other hand, endorsed expansion of presidential powers, (and immediately after getting elected) the revocation of public servants' permanence, austerity measures, liberation of the markets, and the suppression of the state's interventionist role in the economy. Another major difference was that ND had adopted a firm pro-EU stance whereas PASOK followed a more skeptical approach towards the European Union.

PASOK's vision of the Greek economy was a derivative of the Swedish model while ND approached economics from an Anglo-Saxon perspective. PASOK's ruling elite defined the party's character as "social democratic," and the ND leadership labeled its identity as "liberal." The former was inspired by a sense of distrust against the capital and the Western countries that represent it, and the latter took pride in its pro-corporate and pro-American stance. The two parties' fundamental disagreements in foreign policy were not limited to their perception of the United States, the European Union, or NATO; they also embraced starkly different approach in their view of relations with Turkey. PASOK saw Turkey as an imminent threat to Greece's national security while ND remained calmer in its reading of the Turkish-Greek relations. The survey in 1993 revealed that the convergence between the two parties were mostly in issues of secondary importance. Both parties defended the position that resolution of the Cyprus dispute had to be policy priority, Skopje issue represented a low priority, educational standard had to be increased and Maastricht Treaty was of great significance for Greece.

The survey in 2000 brought out a much different picture. It revealed that both parties favored the Olympic games as an opportunity to promote the country and support its economy, the Economic and Monetary Union as a beneficial organization for Greece, and—perhaps most strikingly—the merits of trade liberalization. They agreed on the strategic decisions made within the European Union in the policy areas of enlargement, single currency, monetary policy, and social policies; and accepted an electoral tradition that rotated the ruling power between the two parties. They also reached a consensus to revise the constitution towards restricting government regulations and the size and role of the public sector in the economy. Convergence of the two parties at the center became evident in the extent to which party's leadership roster included business people. From 1993 to 2000, the composition of PASOK's leadership changed from 44.2 percent party employees, 24.3 percent bureaucrats and 16.3 percent business people to 39 percent party employees, 13 percent bureaucrats and 35 percent business people. ND leadership, which was 35.9 percent party employees, 13 percent bureaucrats and 38.5 percent business people in 1993, had party employees by 43.5 percent, bureaucrats by 35.9 percent and business people by 17.4

percent. While there were disagreements about the authorities of the president, the secular nature of the state (PASOK endorsed a strong separation of the state and the church), immigration policy (ND opposed the idea of naturalizations), education system (ND favored its privatization), the retirement age (PASOK promoted its extension), and the adoption of euro as a currency (ND rejected it on the basis that it would throw the income distribution off balance); larger trends contrary to the conventional ideological stances of the two parties pointed to the singularization of the Greek political system during the 1990s.

BIPARTISANSHIP AS A POLITICAL CARTEL: REPRODUCTION OF THE POLITICAL SYSTEM

The polarized two-party system between the mid-1970s and the mid-1990s mutated into a convergent two-party system between 1996 and 2009, which turned into a divided party system of centerism later on. We identify several factors in this transformation: The first factor is the ideological convergence of the two major parties mentioned above. The second factor is the liquidation of the two parties' constituents who favored both parties' appeal for each other's traditional electoral base. The third dynamic is their functional transformation into a perception as "state parties." Thus, the Greek bipartisanship of the political reform (1996–2010) changed its character radically. Its focus shifted from the implementation of different programs to the management and implementation of identical policies. When the incumbent party failed to implement a policy successfully, often as a result of contentious social fabric or internal conflicts within the ruling party, it became a political custom to punish it by electing the other party. This behavior represented more of a change in actors than a change in policies, and the unity in policies and priorities began to be perceived as a condition of political stability in Greece. Referring to the cases of bipartisanship in the United States, England, and former West Germany, Poulantzas described this unification as the "creation of the cross-party networks, consolidation of a permanent grid of complex circuits with the mix of forces, personnel and institutions that belong to the two major parties and that operate somewhat like a home of a single party; a roofed home inside the central mechanism of the state."⁶ He argued that the bipartisanship in the regime assured ossification of the state's policies, which meant that a constructive opposition that had come from the previously social democratic PASOK before became unattainable. The outcome was the formation of an official polity with two actors whose interests are priorities often overlapped. This structure of predictable bipartisanship is not a desirable way by which politics ought to be

conducted in any country. It translates into a lack of ideological competition, which sustains malfunctioning political traditions and policies.

The neoliberal period since the 1990s reinforced the trend of bipartisan politics in Greece. Mainstream ideology's attack on the social democratic state envisioned "liberalization" of markets driven by dramatic cuts on regulations and the government's role on the economy. Government administration was perceived as a function that had to be minimized for the sake of efficiency. This ideology set in partly due to the fact that high cadres in bureaucracy were increasingly recruited from outside of the state organs, and professionals predominantly from the financial sector, corporate world, and think tanks became more and more influential in governmental policy making.⁷

Oligopolistic structure of political representation allowed the ruling elite in both parties to have Greek government make a smooth transition to the version of government envisioned by the neoliberal thought. This sense of political unity that continues today makes democratic elections a symbolic institution after which established policies, practices, and institutions remain constant while only the political actors who implement change. In this climate, political system functions as an authoritarian playground for a particular worldview, and ideological search for progress fades away. Politics works as a power game with distinct characteristics. Firstly, it works as an unfree market, to which entry is not allowed for actors other than those associated with the establishment. Secondly, strategy development turns into a redundant endeavor that does not produce diverse ideas. The two major parties that take turns in ruling the country act as a representation cartel, and their policies serve to maintain a status quo of a fixated level of social primacy in government.

In conclusion, Greek political system in the 2000s operates for its reproduction rather than improvement, and for the sustainment of the distribution of political and economic power foreseen by the dominant ideology of neoliberalism. The two parties that had previously challenged each other for different perspectives of public interest for decades now allow themselves to be used as protective shields against social demands. Predictably, this period marks the acceleration of the sentiment of political cynicism in Greece. The representative cartel PASOK and New Democracy constituted have been perceived as an agent that repackages narrow interests of a small number of plutocrats as Greek people's common interests.⁸

POLITICAL PARTIES IN MODERN GREECE

Stagnant economic policies at the national level lead to a political leadership that submits to the business circles in Greece. Structure and motiva-

organizations, program designs, executive rosters, and policy tools in organizations like SEV, ACCI (Athens Chamber of Commerce and Industry) and the NCHC (National Confederation of Hellenic Commerce) are specifically chosen for practical influence on policymaking. The organic link between these organizations and elected leaderships in Greek state are evident in the fact that these two sectors frequently attract executives from each other.

This shift of interest articulation from the parties of traditional right or center-left to circles exogenous to the formal political system has been immensely consequential in Greece. Working class interests are underrepresented in political discourse as labor unions and political formations of lower classes fall short in their struggle against powerful business interests.

Out of the four functions mentioned above, only the last one partially exists today. Greek people still support political options in terms of the ideologies they are perceived to represent, but this motivation has been fading away rapidly. As it is increasingly becoming difficult to distinguish the two main parties from one another, voters are losing their attachment to parties on the basis of identity and ideology. Regardless of their ideological identity, both political parties strip off their traditional priorities when they earn the ruling power, and become an organic tool of the state and its basic reproduction.

CORRUPTION AS UNIFYING FACTOR OF THE GREEK POLITICAL SYSTEM AND THE RULING POLITICAL PARTIES IN THE "LATE" POLITICAL REFORM

Any comprehensive discussion of the contemporary political system in Greece ought to include corruption as an increasingly prevalent component of government. What is corruption, and is it more of a financial, or political, or ethical phenomenon? In this chapter, we take a rather unorthodox approach to the concept of *financial corruption*, and argue that it entails not only misuses of authority for the sake of personal gain, but also legal uses of authority to contribute to a financially exploitative system. In this sense, both New Democracy and PASOK leaderships as well as the state bureaucracy that endorsed neoliberal policies, which shifted national wealth from Greek people to the small affluent segment of the society would be considered to have been complicit in financial corruption. This type of corruption that has become organic in the Greek state distorts the institutional political mechanism and economic competition, and destabilizes the political system with plutocratic pressures as it happened in Italy in the early 1990s.

Economic and political scandals that have become typical of most of the European countries in the last few decades are products of neoliberal hegemony rather than capitalism's intrinsic design. During the earlier decades following the war, financial scandals were outcomes of the breakage of a link in the political and economic order. In more recent decades, however, they have become so frequent and mainstream that they are considered as a *quasi-legitimate cost of wealth creation* in capitalistic countries. It refers to an economic dictatorship of the capital, which fundamentally disturbs the institutional balance between the business circles and political representatives.

Financial corruption is closely linked to degradation in governance. *Political corruption* is a function of the evolution in which political representation lost its function of interest articulation and public mediation. This process is marked by the submission of political parties and their representative institutions to corporate interest, the shift of the political focus from public service to corporate service, and the *de facto* abolition of the constitutional guarantees for economic freedom. Correlation between political and financial corruptions has been predictably positive.

The frequency and the scope of political scandals since 1996 when Political Reform was carried out have been unprecedentedly enormous. Within these fifteen years, there have been at least fifteen political and economic scandals. They can be identified as the scandals in Greek Stock Exchange, Siemens company, C4I/Olympic Games security system, National Cadastre, structured bonds in 2001, 6.1B euro in cooperation with Goldman Sachs, purchase of submarines, Vatopedi Monastery, structured bonds in 2006–2007, Vodafone spyware, mall construction in Maroussi, Minoan Lines and monopolization of the coastal navigation market, milk industry cartel and the Competition Commission's attempted cover up, weapon procurement of more than 40B euros, government loan of 650M euros given to the offshore company Ariadne for guaranteed lottery revenues in 2000, and finally construction of Olympic sites and facilities. These cases are not isolated. They are the largest and most publicized cases out of a larger pool of corruption, the very sense of which is embedded in all aspects of economics and political life in Greece. Each one of these scandals corresponds to dozens of smaller incidences of corrupt behavior that stem from a commercialized version of government. Total amount of cash flows to the ruling parties in these corruption cases was near half of the country's debt stock.¹⁰

The neoliberal relationship between the government and the business sector in Greece is a mutually beneficial arrangement sponsored by public resources. Corporate sector wins *firstly* by the constant tax reductions and exemptions in the 2000–2010 period, and *then* by receiving privileges in economic competition mainly in the fields liberated by the policymakers.

The political class wins as the recipient of unrestricted campaign finances both institutionally and individually. This marks the characterization of contemporary Greek politics as *kleptokrateia* (kleptocracy, or the rule of the thieves), which reconceptualizes corruption as an institutional incentive in a twisted political system rather than an isolable phenomenon that is unavoidable even in most functional democracies. Failure of Karamanlis administration (2004–2009) to fight political corruption demonstrated the systemic spread of corruption in Greek politics. As the head of New Democracy, Karamanlis realized that corruption was becoming increasingly acceptable and regular. But his efforts to counter this trend attracted fierce resistance from virtually all segments of the state bureaucracy and political circles, and alienated him even from his own party, leading names of which were organic reference points of the subject power cartel.

Prevalence of political corruption in Greece is a predictable outcome of the transformation of the two major parties into suborganizations of the same state system, which eliminated the conventional functions of representation, mediation, and articulation of interests. Political corruption is diffused as a system of power throughout the structure and daily operation of political parties at all levels. Individual interdependencies, to which this structure exposes political actors is the core reason why there has not been a meaningful division within and between the ND and PASOK, and ruling administrations appear to be incapable of producing sustainable solutions to the country's grim problems.

CONCLUSION

Hegemonic hold of neoliberalism on the political establishment in Greece was largely a product of the structure adopted in the European Union in recent years. "Europeanization" of Greece contributes to the convergence of two rival factions, which transformed the country's two-party system into a political cartel. A predictable outcome of this dynamic has become the spread of corruption as a norm in the political sphere. Both the reasons of the current economic crisis and the policy responses given to it carry the elements of neoliberalization of governance in Greece. Memberships to the European Union and the European Monetary Union reinforced this destructive trend. As neoliberal policies are mandated on the people with minimal consultation and public discourse, Greece's democratic deficit grew larger, ideologically converged political parties lost their function as mediators between the people and the government, and public interest has consistently been hijacked for the sake of private interests.

NOTES

1. The Treaty of Maastricht was signed in February 1992 by the governments of the twelve state-members at that time of the European Community and was validated by the Greek parliament in July of the same year. Its validation procedure by the parliament was an exceptional indication of the crisis in democracy and its institutions. The treaty was voted in the midnight without being disseminated among the official government documents. Voting deputies choices were predetermined by a "general" perception about "Europeanism." The only deputies that questioned the contents of the treaty and rejected it consequently were those from the Communist Party (KKE).

2. A characteristic of the Treaty of Maastricht was the prohibition of the state-members to help out other members' economies when they faced problems. This prohibition was promoted as an incentive for member states to maintain budget discipline. In reality, however, this was a policy designed to compel member states with weaker economies to borrow from the financial institutions that support the EU leadership. This policy exposed weaker economies in the union to speculative games played on lending rates, and contributed to the "debt crisis" in the European South (Greece, Portugal, Spain) and Ireland in 2010.

3. Belantis Dimitris, *Seeking the enemy within. Dimensions of anti-terrorist policy*, (in Greek) (Athens: Proskinio, 2004).

4. As proposed by Konstantinidis, the analysis of electoral programs as a method to study partisan competition is based on four diagrammatic plans: a) the diagram of diachronic changes in the policy stances of the parties on the left/right axis, b) depiction of the voters' distribution according to these positions on the x axis in the diagram at each election, c) the diachronic depiction of all parties positions at the most important axes on which is defined the partisan rivalry, meaning Left/Right, and conservatism/ liberalism and, d) the definition of the area of this level from which they could potentially derive votes the parties based on their positions. Constantinidis Giannis, "Mapping priorities of greek parties. The political discourse through numbers and geometrical axes," paper presented at the Conference *Thirty Years of Democracy. The political system of the Greek Republic 1974-2004*, University of Crete, May 2004.

5. The first survey was conducted during the first semester of 1993 under the scientific supervision of Ch.Vernardakis and G.Mavris. The population of the survey ("political elite") was chosen as those in executive positions in the political scene. Different groups of this population were: a) government officials of the period 1981-1993 (ministers, under- secretaries, secretaries of ministries) b) heads of the ruling parties (Executive Committee of ND, Executive Office of PASOK, Executive Committee of Synaspismos 1989-1990, etc.), c) political advisors at the leading institutions (Prime Minister's Office, Office of the President of the Republic), d) leading figures of the state companies and state banks, e) heads of Greek delegations in international organizations (OECD, IMF, UN, NATO, and E.E.). The survey has been conducted at a sample of 125 state/political positions out of 324 registered. The second survey in 2000 was conducted by the company VPRC, under the scientific supervision of Ch. Vernardakis and G.Mavris, in September-October 2000, at a corresponding population of state-political cadres.

6. Poulantzas Nikos, *State, Power, Socialism* (Athens: Themelio 1982), 339.
7. Our calculations based on personal interviews of twenty-two Ministers and Secretaries of State of PASOK and ND governments from 1996 until 2011 show that the total of their ministerial offices' staff did not derive from the formal hierarchy of the state administration, while they exercised duties that were defined by the charts of the formal administration. The armies of consultants came either from private companies or were personal acquaintances of the Minister/Secretary of State. The utilization of the executive management does not exceed at most 5 percent of executives at a ministerial office.
8. Vernardakis Christoforos, *Political Parties, Elections and Party System. The Transformations of the political representation 1990–2010* [in Greek], (Athens-Thessaloniki: Sakkoulas, 2011), 326–37.
9. Hague Rod and Harrop Martin, *Comparative Government and Politics*, (Palgrave Macmillan—Division of Macmillan Publishers Ltd 2004), 333. Ball Alan and Peters Guy, *Modern Politics and Government*, (Macmillan Press 2000), 159.
10. A similar affair to Siemens was revealed in 2003, when Michel Jossier, the president of the French defense company Thales denounced for bribing a member of the government in order for his company to undertake the upgrading of six frigates of the Navy. At the same time, French newspapers argued that the security of the Olympic Games was assigned to an American company (that is organically linked to then-VP Dick Cheney) on the basis of the percentage of bribery—Thales was accused of bribing Greek Defense Minister with 7 percent to 10 percent cut. The French claims were never investigated in Greece.