Simitis’s Unsuccessful Struggle for Economic and Governmental Modernisation: A Case of Irresolution or Impotence?

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Modernisation, meaning the attainment of best governmental practice in the European Union, was the mission of Kostas Simitis while prime minister in 1996–2004. In the goals which mattered most to himself and to voters — improving governmental efficiency so as to promote economic development and citizens’ welfare — his record was disappointing. Various international measures of Greece’s governmental and economic efficiency, and assessments of citizens’ satisfaction and government finances, indicate regression rather than progress. The basic cause of failure is argued to be the prevalence of traditional clientelist attitudes, which made the state very influential over society and the economy, while condemning it to inefficiency. Government influence over the economy and labour force burdened them with restrictive practices. Yet few if any members of the major political parties accepted the full implications of modernisation. While meriting some blame, Simitis failed mainly because of factors beyond his control.

The importance of the struggle, and evidence of its failure

Throughout his eight years as prime minister (1996–2004), Kostas Simitis emphasised his aim of modernisation, in the sense of attaining the best governmental practice of the European Union (EU). The detailed implications of modernisation were contained in the directives and exhortations of the European Commission, the EU’s executive body. Broad goals appeared in the so-called Lisbon Strategy, adopted by EU governments in March 2000, and cited regularly by Simitis thereafter. This aimed to make the Union “the most competitive and dynamic knowledge-based economy in the world” by 2010, while progressing towards social cohesion and protection of the natural environment (The Economist, 11 May 2000, Internet edition, “Europe’s Last
Post?”). The ultimate objective — implied in many speeches by Simitis — was to reform governmental practices so as to promote the people’s welfare in its fullest sense.

In choosing Simitis as prime minister in January 1996, a majority of his parliamentary party, PASOK, opted consciously for a champion of modernisation according to the EU model. During his varied ministerial career since 1981, Simitis had won a reputation for integrity and competence which appealed to diverse social groups, especially businessmen and the highly educated (Kathimerini, 14 December 2003, K. P. Papadiochou, English Internet edition). While leading the party to victory in the general elections of September 1996 and March 2000, he appointed like-minded colleagues to key ministries. After his acclaimed achievement of bringing Greece into the Economic and Monetary Union (EMU, the euro-zone of twelve EU countries) in June 2000, he preached modernisation with even greater fervour and authority.

But, by the time of his defeat in the parliamentary election of March 2004, he had fallen far short of his aims in the aspect of modernisation which mattered most to himself and to the electorate: improving the efficiency of the ramshackle state machine (comprising state enterprises and the public administration) so as to promote economic development and provide better services. This paper will assess the reasons for Simitis’s failure, from the vantage-point of December 2005. It differs in approach from a collection of essays by five academics just published in Greece (Pelagides, 2005), and 13 articles just published in a special issue of West European Politics (Featherstone, 2005). It does not challenge the conclusions of these works, but benefits from a study of developments which occurred after they were written.

Reports from diverse bodies show Simitis’s failure. The Centre for Planning and Economic Research (KEPE) reported in May 2005 that “despite reforming initiatives, the modernization and improvement of the state’s organizing sectors have not materialized” and their “management methods and processes remain obsolete” (Kathimerini, 26 May 2005, Nikos Nikolaou, English Internet edition). In progress towards implementing the Lisbon Strategy, and in general economic competitiveness, successive surveys placed Greece successively lower in the international scale, and usually at the bottom of the European Union of 15 countries (EU–15, before the accession of ten more countries in May 2004). For example, in the World Com-
petitiveness Yearbook of 60 countries, compiled by the International Institute for Management Development, Greece fell, between 2000 and 2005, from 49th to 52nd place in government efficiency, and from 39th to 49th in business efficiency (Kathimerini, 12 May 2005, English Internet edition). As a proportion of GDP, state investment in research and development, and in education generally, stagnated during the Simitis years at levels which were the lowest in the EU–15. According to a well-informed reporter for the authoritative daily, Kathimerini, Simitis developed no public policy for financing research and development (Kathimerini, 6 March 2004, Apostolou Lakasa, Greek Internet edition). His governments must therefore share the blame for the fact that the economy remained technologically backward by all conventional criteria. In innovation, according to the European Commission definition, it rated 23rd in the EU–25 in 2005 (Kathimerini, 13 January 2006, editorial, referring to the European Innovation Scoreboard for 2005; To Vima, 12 February 2006:B10, D. Asimakopoulou). A study by the European Central Bank, in 2003, of the productivity of the public sector estimated that the government could cut expenditure by 39% by using resources more efficiently. Annual assessments of the honesty of politicians and public officials by Transparency International placed Greece 49th out of 146 countries in 2004. Authoritative commentators like the Confederation of Greek Industries considered official corruption a major obstacle to investment, especially to foreigners unfamiliar with Greek bureaucracy (Kathimerini, 18 September 2003, Greek Internet edition; To Vima, 18 May 2003:A16, Nikos Nikolaou; Transparency International website). The balance of visible trade worsened, especially with western Europe. Exports to all countries had been 45% of the value of imports in 1995; but were below 30% in 2005. Especially damaging evidence of failure was the revelation, after Simitis’s retirement, that admission to the EMU had been achieved through fraudulent estimates by the National Statistical Service of the public debt and successive budget deficits. Greece, it turns out, never qualified for membership of the EMU. It now appears that the Greek public debt was the highest in the EU–15; while — what is worse — successive governments had failed since 1993 to reduce it significantly, despite conditions possibly more favourable to debt reduction than in any other EU country.

The government made strenuous efforts to improve services to citizens; but without much impression on the electorate. An opinion poll of December 2002, asking citizens “how did conditions for our country change in 2002?” showed that in most areas which mattered to voters, the great majority reacted negatively, saying in roughly equal proportions that the following had remained unchanged or worsened: educational and health services, official corruption, measures against unemployment, service by public officials, and measures against crime. Only with regard to major construction projects did voters consider that there had been improvement (To Vima, 22 December 2002:A5, G. Lakopoulou).

While it must be admitted that in several of the areas dealt with in this paper,
some progress was made under Simitis, the question to be answered is why it was so limited.

**Clientelism as a cause of inefficiency**

The fatal obstacle to Simitis’s policies has been recognised by historians and political scientists as a traditional and ubiquitous feature of the Greek political system. What is interesting is that it remains prevalent, despite the support for modernisation by the major parties. This feature is clientelism, which can be defined as the use by politicians or public servants of public office in order to bestow favours on identifiable individuals or groups of people. Since early in the history of the modern state, the practice has been dominated by political parties. It will be argued, firstly, that Simitis and his modernising colleagues had limited power to remedy this practice, and, secondly, that — because they were its creatures — they were half-hearted in their attempts to do so. Simitis spoke more truly than he realised when he said, in December 2000, that the attainment of EU norms demanded “a change of mentality and culture” on everyone’s part (*Athens News*, 6 December 2000, Internet edition).

The ubiquity of clientelism is shown by the structure of the public administration, which has been distorted by the patronage requirements of politicians. One distortion is its extensive influence over society and economy, and another is its size. Both are grossly excessive in relation to whatever benefits governments provide to the public. It is largely because they must spend so much on paying superfluous employees and subsidising over-staffed state enterprises that successive governments have failed to curb budget deficits. The dysfunctional structure of the public administration — with its top-heaviness, irrational division of responsibilities between ministries, and inefficient allocation of personnel — shows again how the requirements of patronage took precedence over those of efficiency. Driven by clientelist needs, the development of the public administration has been disorganised, so that ministers cannot control it or use it as an instrument of policy. Disorganisation, and low ethical standards, prevent public servants from controlling costs, especially in big-spending sectors such as those responsible for health services, defence procurements and construction projects (*To Vima*, 4 May 2003: B4, Nikos Nikolaou).

Another distortion is that decision-making machinery is over-centralised, because senior figures like to retain the power to bestow or deny favours. Thus the offices of some PASOK ministers were reported in 2003 to be clogged with stacks of routine requests overdue for answers (*Ta Nea*, 28 May 2003:6). Officials at the bottom of the hierarchy are restricted to applying the rules; but even they can expedite favoured requests and impede others, especially because many of the rules are confused. At this level, there is ample scope for bribery. Service to the public ranks notoriously low among public servants’ priorities; and their habitual dilatoriness...
forces citizens to waste much time in government offices (Kathimerini, 29 April 2005, letter by Les Grove, English Internet edition). A recent survey by Professor Antonis Makrydimitris, who was advising the government on reform of the public administration, found that half the population had to visit a government office at least once a month, and another 20% at least twice every six months (Kathimerini, 15 April 2004, English Internet edition).

Appointments to public office, at the national and local level, were in the past most eagerly sought by those with poor educational qualifications, who had little other prospect of a secure, white-collar job. Such people have now risen to senior ranks. Recruitment to the public administration is, to this day, normally spoken of by politicians and journalists as a form of unemployment relief, with preference still being given to disadvantaged people such as the unemployed, or parents of large families. The consequence of such criteria for appointments is a generally low level of morale and competence. A survey of 1997 found over half of public servants admitting that they lacked relevant qualifications. Even now, applicants are not required to be computer-literate (To Vima, 30 March 1997: A49, D. Nikolopoulos; Kathimerini, 13 February 2005, Greek Internet edition).

The shortage of skills is particularly true of strategic policy formulation, and the implementation of major reforms. The role that in northern European countries is filled by professional public servants has to be filled in Greece by politicians and their numerous advisers, many of whom are academics. Important areas of government policy cannot be implemented because qualified staff are unavailable: an example which has been prominent for some years has been the loss of massive EU subsidies through failure to frame applications that comply with EU requirements, and through misuse of the funds when granted. In these tests of bureaucratic competence, Greece has, once again, scored worst in the EU–15 (Kathimerini, 10 December 2005, editorial, “Making Use of EU Money”, English Internet edition). In 2003, the European Commission asked why the Greek government was using methods for costing construction projects which had “for long proved ineffective”, when methods generally used in other countries were available on CD-ROM. The Commission also noted the serious deficiencies in quality-control of public works: a defect which became obvious at this time in the subsidence of long stretches of new highway and the collapse of at least one new bridge (Kathimerini, 14 November 2003, Fotis Kollias, English Internet edition).

The previous year, a European Commissioner noted that an obstacle to planning and implementation of programmes was that “in Greece, the clientelist system is universally prevalent”, and expressed irritation at being subjected while in Athens to pressure for favours from politicians and their relatives (To Vima, 26 May 2002: B6, M. Spinthouraki).

Public servants are extremely slow to learn new skills or respond to new needs. For example, the ministries have still failed to network their separate websites; while IKA, the main social insurance institution, has taken many years to com-
puterise its records. Various departments have proved unable to undertake new responsibilities, even when action has been urgently demanded by the European Commission or by Greek voters. Examples are the processing of toxic waste, the recycling of garbage, the treatment of urban sewage, and the protection of wildlife (Kathimerini, 13 April 2005, English Internet edition; Athens News, 1 April 2005, Cordelia Madden).

As in many other countries, legal barriers to politicians’ pressure on public officials have been erected, the main one being guaranteed lifelong tenure of office. In Greece the barriers had to be raised especially high, with the result that there are now few ways for ministers to reward efficiency, penalise incompetence, or compel action. Thus public servants can and do thwart pressure from their political masters, as well as the public.

Nevertheless, successive governments, driven by exasperated voters, have in recent years fought against some of the most vexatious problems. One famous example is Simitis’s child, the pioneering institution known as the Citizen’s Advocate (or Ombudsman), which has since late 1998 received complaints at a rate far above the average in other EU countries, and dealt successfully with several thousand of them each year. Its recommendations for reform have been sympathetically received by ministers; and its constant mediation between citizens and public officials is presumably influencing the latter’s behaviour (To Vima, 20 February 2000:A55, D. Nikolakopoulou; Kathimerini, 13 September 2005, English Internet edition). Another example is the proliferation since 2000 of Centres for the Service of Citizens, in order to provide without trouble to the applicant any one of hundreds of different documents or licences, each of which had until then required a long, slow tour of dispersed offices. By 2004, there seems to have been one in every municipality; but most were too under-staffed to be effective. Moreover, public officials were habitually obstructing the Centres, because they would not offer bribes (Kathimerini, 10 September 2004, Foteini Kalliri, Greek Internet edition; Ta Nea, 27 October 2004, Nikoletta Moutousi, Greek Internet edition). Evidently time was needed to increase the Centres’ staff and authority, because a recent opinion poll shows that nearly everyone now approves of them (Kathimerini, 1 December 2005, Foteini Kalliri, Greek Internet edition).

**Clientelism and the economy**

Among the clientelistic practices of politicians, over many decades, has been the bestowal of economic privileges on favoured occupation groups, businesses, and trade unions. As a consequence, market forces are seriously constrained by restrictive practices, which, according to a report by the Organization for Economic Cooperation and Development (OECD) in 2001, now constitute the main weakness of the Greek economy, burdening most of its branches (Kathimerini, 3 June 2001, Gianni Kotofolou, Greek Internet edition). The European Commission agreed
in a report of 2003 that the Greek economy was the most “closed” in the EU (Athens News, 15 October 2004, Robert McDonald, Internet edition). Examples of such restrictions are: the ability of many professions and occupation-groups to determine their own remuneration, or restrict recruitment, or create an artificial demand for their services; the open or tacit cartels in important branches of industry and commerce; the monopolistic or near-monopolistic power of many state-controlled economic enterprises; the restrictions on employers’ power to dismiss staff and vary their employees’ pay and working-hours, in accordance with changing economic needs. These restrictions provide the most obvious explanation for the comparatively high rates of inflation and unemployment in recent years, both outstanding causes of public discontent. From 1992 onwards, the European Commission struggled to make reluctant Greek governments introduce competition in transport, telecommunications and energy supply. Simitis’s governments complied, belatedly and partially, in transport and telecommunications. But they failed — alone among EU states — to transpose into domestic law an EU directive aiming to create an open market for electricity supply. The following government was in July 2005 referred to the European Court of Justice for the same omission (Kathimerini, 7 July 2005, English Internet edition).

As politicians everywhere know, it is extraordinarily difficult to revoke what voters regard as entitlements. So the Simitis government found, when it tried to liberalise the economy. Its attempt to deregulate relations between employers and employees provoked a general strike in October 2000, after which it confined itself to very limited reforms to a labour market that remained exceptionally rigid by EU standards (Athens News, 17 May 2003, Mark Dragoumis, Internet edition). Its attempt to abolish the privileges of about 80 occupation-groups and professions met with almost complete defeat in 2001, after repeated strikes (Ta Nea, 9 November 2002, Eirini Chrysolora, Greek Internet edition). Underlying these defeats is lack of public support for reform, deriving from a general assumption that it is the government’s duty to protect people’s livelihoods (Kathimerini, 2 April 2002, quoted by H. A. Papadimitriou, English Internet edition).

Another governmental failure was the slow and limited degree (by comparison with other southern EU countries) to which state-owned enterprises were privatised and exposed to competition (Wright and Pagoulatos, 2001:265–66). The approach by governments to most larger enterprises was to sell shares in them to private investors, leaving the staff with the privileged status of public servants and the government owning enough shares to control the appointment of executives. The delay in liberalising the economy was remarkable because it was obvious that to do so would greatly benefit the public. This was demonstrated for example in telecommunications, airlines, marine ferries and bank interest rates.

Why then was liberalisation so slow? Clientelist relationships again provide the answer. Complete privatisation was seen by those employed in the state enterprises as a threat to their job security and privileged incomes. Public sector employees
were powerful because they all belonged to trade unions, which were dominated by factions linked to the parties. Another related obstacle to liberalisation was the ruling party’s reluctance to lose patronage. The increasing decentralisation of functions to municipalities in the last ten years created a further obstacle, because municipal councillors also wanted the patronage obtained by control over services (To Vima, 4 February 2001:A12, Giorgos A. Bitrou). Meanwhile, governments continued to pay for the public enterprises’ debts, while failing to control their prices or their borrowing, so that the deficits of the 29 enterprises not listed on the stock exchange rose steeply in 2000–2004. Many or most enterprises failed to provide good service (To Vima, 28 July 2002:B2, Nikos Nikolaou; To Vima, 24 October 2004: B2, Nikos Nikolaou, citing a report by the Governor of the Bank of Greece; Kathimerini, 18 December 2005, Nikos Nikolaou, Greek Internet edition).

Until recently, private cartels were not seriously challenged by the Competition Commission established in 1977. Its weakness suited the most powerful pressure-groups for employers and employees respectively — the Confederation of Greek Industries and the General Confederation of Greek Workers — both of which were routinely consulted about the appointment of its members. As in other ways, the government was incapable of challenging powerful interest groups, especially those like the latter which had organised sympathisers within the ruling party. This is a traditional weakness of Greek governments which appears to be due, firstly, to the prevalence of clientelist attitudes, and, secondly, to citizens’ disrespect for the state, making them reluctant to support governments in confrontations with interest-groups.

Another type of restrictive practice was the red tape obstructing any entrepreneur who tried to establish a new business. Politicians, economic analysts and businessmen frequently complained about the multitude of permits which entrepreneurs had to obtain from diverse branches of national and local government, which were slow to provide them. In 2004, a World Bank report placed Greece among the worst (125th) of 132 countries in this respect. (Kathimerini, 25 February 2004, Christos Staikouras, English Internet edition). To judge by the continuance of complaints, successive governments had little or no success in remedying the problem, so illustrating their lack of control over bureaucracy.

In important ways, recent governments continued to grant economic favours. The award of government contracts remained notoriously corrupt, in the sense of being influenced by bribery or favouritism. The journalist Nikos Nikolaou, for example, referred in December 2004 to the standard government practice of favouring certain suppliers at the expense of others, regardless of their efficiency (To Vima, 19 December 2004:B2). The availability from the 1980s of vast EU subsidies for physical and administrative infrastructure increased governments’ scope for such patronage.

**Conclusion**
It is now time to address the question in the title: irresolution or impotence? The answer implied by this article is both, but more of the latter. The role of the former was demonstrated before the March 2004 election, when both major parties indulged in an orgy of old-fashioned rousfetoloyia (promises of jobs or favours) — so contradicting their simultaneous promises of more efficient government. It is evident that few if any people in either party accepted the full implications of modernisation. Not even Simitis did so: for example he failed to question the National Statistical Service's estimates of the budget deficit and public debt, while their unreliability was being publicly discussed over some years. Moreover, he was criticised by shrewd commentators for weakness and timidity in managing his governments (The Economist, 15 April 2000:56; To Vima, 4 January 2004:B2, Nikos Nikolaou). But the facts presented in this article show that his aspirations were thwarted mainly by factors beyond his control: the weaknesses of the public administration, the demands of his party machine, and the ambivalent attitude to modernisation of most voters. Further evidence for this conclusion now lies in the very cautious approach to modernisation of the government which succeeded his.

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