School of Business and Management

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The Eurozone Crisis and Austerity Politics: A Trigger for Administrative Reform in Greece?

Dr Stella Ladi (s.ladi@qmul.ac.uk)
Senior Lecturer in Public Management
Introduction and Structure

• Why this topic?
  – Greece was the first EMU member-state seeking international help (MEFP and SEPC signed in May 2010)
  – Public administration is still outlined as a key obstacle to recovery
  – Opportunity for combining historical institutionalism and Hall’s paradigm shift in order to elaborate on the time and type of reform
• Focus: Papandreou government – first attempt to deal with the crisis (2010-2011)
• Aim: to discuss the recipe as well as the impact in Greek pub admin
• Structure: theory and research design, dominant administrative paradigm, recipe for change, current reforms.
Theorizing the Time of Change

- HI offers framework for understanding change and inertia: path dependence, critical junctures and increasing returns – ‘lock in’ of institutions
- Focus on politics: while economics seem to lead developments in the EU change is promoted in some issues while inertia persists in other types of problems.
- Greece’s recent administrative history fit the idea of a country that has fallen into path dependence.
- Current economic crisis means that the increasing returns have changed and the country is in search of a new equilibrium.
- For a critical juncture to lead to change: exogenous forces, endogenous circumstances, a particular group or individual in power.
Theorizing the Type of Change

Hall’s (1993) claims about change:
- Three distinct types of change that do not necessarily follow each other (incremental: first order and second order, paradigmatic shift)
- Parameters of paradigmatic shift:
  - Political action and not just the result of change in experts discourse
  - Importance of the authority of policy: changes in the ‘locus of authority over policy’
  - Centrality of policy experimentation and policy failure
Theoretical propositions

• In order to understand administrative reform two parameters should be analysed and combined: the *time* and *type* of change.

• For a policy paradigm shift to take place, a critical juncture is a necessary but not sufficient condition. Policy experimentation and policy failure are equally likely.
Dominant Administrative Paradigm

- Critical junctures for Greek pub admin:
  - 1974: Transition to democracy (Third-order change: growth of the state – new institutions)
  - 1981: EC membership - PASOK (Third-order change: new welfare institutions)
  - 2001: EMU membership (Incremental change: e.g. Independent Authorities)

- Hierarchical and centralized
- Patronage, corruption, lack of effectiveness
- Legalism and formalism
- State-economy relationship (Tax-evasion and High social spending-doubtful results)
- Société bloqué: inertia and negative domestic mediating factors
2010 Crisis: Critical Juncture?

- Governmental Discourse:
  - Global level: aggressiveness of financial markets
  - European level: solution-partnership
- 2010: the dominant administrative paradigm not only the concern of the Greek government.
- Greece: first EMU country to seek financial assistance
- MEFP (fiscal, financial and structural policies) and SEPC (conditionality-specific structural reforms) signed in May of 2010
- Most coercive phase of Greece’s Europeanization
Public Administration Reform 2010-11

- Radical change does not always happen at critical junctures
- Large number of cost-cutting reforms but direction towards a more operational/ result oriented paradigm
- Public Administration Reforms:
  - Public Sector Employment changes (mainly cost-cutting but change in the way employment in the public sector is conceived can lead to deeper change)
  - Public procurement: e-procurement (not concluded)
  - Transparency of public spending: Cl@rity (completed/ second-order change)
  - Local administration reform: Kallikratis (not completed/ second-order)
  - Review of central government (partially completed)
  - Better regulation (partially completed-second-order)
- Plus more reforms: e.g. pensions, health care, higher education.
What Went Wrong?

- **Time:** Even if the timing is right, the consolidation of change takes time (Pierson): unlikely to observe radical change in the time space of two years.
- **Type:** Cost-cutting and not structural in order to quickly comply with the international loans’ economic targets.
- **Will this critical juncture lead to radical reform?**
  - International donors: Prescription of structural reform but emphasis on immediate economic goals (contradiction that can hinder radical reform).
  - Papandreou government: policy experimentation in order to avoid harsh governmental decisions and conflict with organised interests: policy failure and/or inertia
- **Most important condition for paradigm shift:** coherent, strong and persuasive domestic political authority steering the reform. But:
  - Low engagement of the experts in the design of the Memoranda
  - Lack of policy coherence (socialist roots but public spending cuts)
  - PASOK 2009 election programme similar to SEPC objectives but MPs – party members claim no ownership
Conclusions

• No movement towards an administrative paradigm shift but policy experimentation and cost-cutting changes.
• Memoranda reforms are addressing lack of effectiveness, corruption and tax evasion but delays and implementation gap.
• Most coercive phase of Greece’s Europeanization but the EU itself is at a critical juncture.
• Key reasons that could halt a paradigm shift:
  – institutional resilience
  – unintended and unanticipated consequences because of large number of reforms
  – extensive policy failure and experimentation
  – ‘ownership’ of the reform programme
  – Domestic political authority