Problem-solving and ideology in public policy instrumentation:

Sketching an alternative reading of ‘populism’ and ‘modernization’ in Greece

Professor Kostas A. Lavdas
National Bank of Greece Senior Research Fellow
Hellenic Observatory
LSE

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Main Points

- taking a macroscopic view of policy change in Greece
- the relative weight of Europeanization and of longer-term domestic policy shifts
- ambivalence, ideology and political strategies in the domestic utilization of Europeanization effects
- sketching the interaction between policy coalitions and the choice of policy instruments in an attempt to make sense of the roles of problem-solving, ideational and ideological elements in policy
- ‘populism’ and ‘modernization’ as rhetorical constructs denoting particular types of defection from policy games
<table>
<thead>
<tr>
<th>Year</th>
<th>Wave Description</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1957</td>
<td>Founding Members</td>
<td>(Belgium, France, Federal Republic of Germany, Italy, Luxembourg, Netherlands)</td>
</tr>
<tr>
<td>1973</td>
<td>EFTA Wave</td>
<td>(Denmark, Ireland, United Kingdom)</td>
</tr>
<tr>
<td>1981/86</td>
<td>Southern Wave</td>
<td>(Greece, Portugal, Spain)</td>
</tr>
<tr>
<td>1995</td>
<td>Northern Wave</td>
<td>(Austria, Finland, Sweden)</td>
</tr>
<tr>
<td>2004</td>
<td>Eastern Wave</td>
<td>(Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, Slovenia)</td>
</tr>
<tr>
<td>2007</td>
<td>Balkan Wave (Unfinished?)</td>
<td>(Bulgaria, Romania)</td>
</tr>
<tr>
<td></td>
<td>Possible Future Wave:</td>
<td>Completing (or adding to) the Balkan Wave + Turkey</td>
</tr>
</tbody>
</table>
## TABLE 2. GNP Asymmetries and Enlargement Waves

<table>
<thead>
<tr>
<th>Wave</th>
<th>GNP applicants/ existing members</th>
<th>GNP per capita applicants/ existing members</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Wave</td>
<td>20%</td>
<td>79%</td>
</tr>
<tr>
<td>2nd Wave</td>
<td>5%</td>
<td>46%</td>
</tr>
<tr>
<td>3rd Wave</td>
<td>8%</td>
<td>115%</td>
</tr>
<tr>
<td>4th Wave</td>
<td>5%</td>
<td>14%</td>
</tr>
</tbody>
</table>
Situating the case of Greece

- A Napoleonic model of civil service development (legal formalism, centralization, clear public-private divide in theory, career civil service), but also

- Particularities in staffing (patronage), permeability of state apparatus, no Hegelian notion of stateness prevailing

- Hyper-political concerns predominating:
  I. Post-1949 (from civil war to limited democracy)
  II. Post-1974 (regime transition and consolidation)
  III. Post-1981 (first PASOK government) (consolidation of party dominance, public sector expansion and redistribution)

- state’s presence in the economy strengthened by the nationalization programmes which, as in Portugal but on a smaller scale, followed the regime change in 1974
Inherited corporatist structures post-1974, leading to an asymmetric and complex pattern of disjointed corporatism.

In 1982-2002 many countries increased spending levels, reaching a peak by 1996. Among these are several of the previously low spenders, such as Greece, Portugal, Spain. Greece is often listed among ‘non reformer’ countries because of the level of primary spending (transfers, subsidies, government consumption and investment). The belated and asymmetric development of a welfare state accounts to an extent for the increase of this type of expenditure during the 1980s and the early 1990s.

A new ‘European strategy’ from 1996, focusing on stabilization and participation in monetary union.
• Today’s Greece: a market economy with the public sector accounting for about 40% of GDP and with per capita GDP at least 75% of the leading euro-zone economies

• Prevalence of ideological justification of political and policy choice

• By ‘ideologies’ I mean sets of beliefs and values that help orient and/or provide justification for political and policy action, provided that the prevalence of such beliefs and values is attributed (at least to some degree) to a non-epistemic role that they serve. More than other belief-forming processes, the ideological ones involve unacknowledged causes and non-epistemic interests

• Considerable public debate over the ideological aspects of policy objectives AND policy instruments
Evolution of EU institutions & policy

Facilitating domestic factors

EU mandating inst. models

EU changing opportunity structures

Domestic response / Concurrence with EU policy objectives
OR
Domestic response / Drifting away from EU policy objectives

Table 3. Modes of EU policy impact / policy influence
Significant differences between policy areas – the understandable fragmentation of policy analysis risks losing sight of the bigger questions, such as:

Factors responsible for the initiation of waves of cross-area policy change / conditions determining the capacities of states to achieve objectives / the relative weight of domestic and international–European stimuli, opportunities, and limits

Policy instruments (forms of taxing, wage indexing, standards, benchmarking, types of military service, and so on) provide a crucial level for the analysis of political and policy choice

EU White Paper on Governance (2001): a (naïve) view of ‘new instruments’ leading to greater effectiveness and democratization

But the choice of instruments is not part of a rationality of methods without any autonomous significance
- In policy literature,
  *A problem-solving approach* refers to the general understanding of an administration on how to tackle the problems of environmental pollution.
  *Policy instruments* are the ‘techniques’ applied to reach a policy goal by inducing certain behaviour in actors.
- But public policy is not simply about solving problems with the help of the appropriate instruments.
- The limitations of the different versions of latent functionalism in policy analysis can be grasped by focusing on policy instruments.
- The choice of instruments / the existence of alternatives / factors influencing choice, avoidance, or routine selection.
The proposed typology of instruments (based on the work of McDonnell & Elmore) uses ideal types and its aim is to call attention to the qualitative difference of some tools, such as the ‘system-changing’ instruments.

Instruments are not neutral devices – they reflect choice, avoidance, or conditions that lead to routine selection.

Research looking into policy actors’ approach at the levels of (a) the selection of policy instruments, and (b) the application of instruments.
Policy Instruments

TYPES OF INSTRUMENTS:

- Rules:
  - Main Forms / Anticipated Effects:
    - Laws, Regulations / Compliance
  - Inducements / Compliance
    - Aid, procurement / Performance enhancement & short-term returns
  - Capacity-Building:
    - Aid, investment / Future returns in material or human capital
  - System-Changing:
    - Authority transfer / New institutions, shifts in public policy system
• Policy instrumentation means the set of problems posed by the choice and use of instruments (techniques, methods of operation, devices) that allow government policy to be made material and operational (see Lascoumes & Le Gales)

• Policy actors respond to the content AND the instruments of policy in forming expectations and managing response

• To examine policy games, we need to focus on situations of initial cooperation between policy actors – this reflects quite realistically most cases of policy initiation

• I suggest that policy actors’ constructive interaction with authorities can be captured in a reciprocity-based classification in four strategic contexts
Table 4. Policy actors’ expectations in four strategic contexts (adapted from Lepgold and Shambaugh 2002).

<table>
<thead>
<tr>
<th>CONTINGENCY- Equivalence</th>
<th>IMMEDIATE</th>
<th>LESS IMMEDIATE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Precise</strong></td>
<td>Cell 1 <strong>Specific reciprocity</strong>: narrow exchange (perceived as equivalent in value) in strict sequence</td>
<td>Cell 2 <strong>Mixed</strong>: narrow, longer-term exchange</td>
</tr>
<tr>
<td></td>
<td>Cell 4 <strong>Mixed</strong>: broad exchange in strict sequence</td>
<td>Cell 3 <strong>Diffuse reciprocity</strong>: broad (perceived as non equivalent in value) and longer-term exchange</td>
</tr>
</tbody>
</table>
- Cells 1 and 3 refer to the familiar cases of ‘specific’ vs. ‘diffuse’ reciprocity:
- Specific reciprocity occurs when exchanges are seen as comparable in value and occur in strict sequence. In other words, in specific reciprocity, both actors in a relationship insist that the value of their concessions must be equivalent and that each must be made highly conditional on the other.
- The polar opposite pattern (diffuse reciprocity) is one in which the actors consider both the value and timing of individual concessions to be irrelevant. Exchanges in this pattern are not expected to be strictly comparable in value or linked closely in time. Emphasis on the long-term horizon of cooperation.
‘Populism’ has been used in political discourse and also, to an extent, in certain political analyses, to denote a particular type of defection from situations in Cells 2 to 4. Defection from (or termination of) policy games of diffuse or mixed reciprocity has been described as ‘populist’, when the actors involved have different perceptions about equivalence in exchange. In this type of situation, the actor who defines equivalence more precisely is in a stronger bargaining position. This is so because s/he will be satisfied with fewer possible policy concessions from the other actor than the other actor will be from him/her, and thus likelier to achieve a good bargain from his point of view.

‘Modernization’ has been used to describe prompts that have been employed in the context of Cell 2 (emphasis on a long-term horizon) and Cell 3 (emphasis on a general field of discourse / ‘strategy’).
Turning to cases of policy change in Greece,

- We need to distinguish between *aims* of the actors involved and *declared objectives*

- *Aims* refer to the strategies and expectations of the main policy actors involved

- *Objectives* set in legislation or other official language

- These may constitute two distinct but not incommensurable systems of meaning. Adapting Quine’s theory of meaning, we argue that

- the meaning of a policy from the perspective of the policy actors involved, is what each one of them wishes to preserve when s/he decides to ‘translate’ between aims and objectives
A. Cases predating the direct effects of Europeanization

<table>
<thead>
<tr>
<th>Aims</th>
<th>MILITARY REFORM POLICY</th>
<th>CHURCH-STATE RELATIONS REFORM (before 1981)</th>
<th>SMOKING POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>relative success</td>
<td>relative success</td>
<td>failure</td>
</tr>
</tbody>
</table>

Table 5. Sketch of cases of policy reform with low politicization
**Table 6.** Sketch of cases of policy reform exhibiting high politicization

<table>
<thead>
<tr>
<th></th>
<th>ADMINISTRATIVE REFORM (excluding decentralization)</th>
<th>UNIVERSITY REFORM</th>
<th>LANGUAGE POLICY REFORM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Aims</strong></td>
<td>failure</td>
<td>failure</td>
<td>relative success</td>
</tr>
<tr>
<td><strong>Objectives</strong></td>
<td>relative success</td>
<td>failure</td>
<td>relative success</td>
</tr>
</tbody>
</table>
B. Cases with direct Europeanization effects

<table>
<thead>
<tr>
<th>Aims</th>
<th>CAPITAL MARKET LIBERALIZATION</th>
<th>COMPETITION POLICY</th>
<th>MARITIME POLICY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Objectives</td>
<td>success</td>
<td>relative success</td>
<td>relative success</td>
</tr>
<tr>
<td>Aims</td>
<td>relative success</td>
<td>relative success</td>
<td>failure</td>
</tr>
</tbody>
</table>

Table 7. Sketch of cases exhibiting a low degree of politicization
<table>
<thead>
<tr>
<th>Aims</th>
<th>PENSION REFORM</th>
<th>TELCOMS</th>
<th>INDUSTRI RELAT</th>
<th>OLYMPIC</th>
<th>AGRICULTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>failure</td>
<td>relative success</td>
<td>failure</td>
<td>relative success</td>
<td>relative success</td>
<td>failure</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Objectives</th>
<th>PENSION REFORM</th>
<th>TELCOMS</th>
<th>INDUSTRI RELAT</th>
<th>OLYMPIC</th>
<th>AGRICULTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>relative failure</td>
<td>relative success</td>
<td>relative success</td>
<td>relative success</td>
<td>failure</td>
<td></td>
</tr>
</tbody>
</table>

**Table 8.** Sketch of cases exhibiting a high degree of politicization
Smoking policy

- Greece has the highest smoking prevalence not only among members of the EU but also among all members of the OECD (data from PubMed and from Greek database Iatrotek)

- Factors: low price of cigarettes, the lack of laws forbidding the sale of tobacco products to minors, anti-tobacco education is not incorporated into the school curriculum, school smoking prevention legislation does exist, but it is not always enforced, smoking by students and teachers in school grounds does take place (inadequate enforcement of legislation) (Vardavas & Kafatos 2006)

- a tobacco producing country, agricultural produce in certain areas is largely tobacco, encouraging a pro-tobacco culture

- a socially accepted habit, also in the public place
During 1978–1981, Greece conducted its only ever nationwide anti-smoking campaign. National ban on tobacco advertising on broadcasting media enforced in 1979 gave unimpressive results. However, when the campaign became aggressive (repeated anti-smoking messages and circulation of posters), annual increase in consumption dropped to nearly 0%. When the campaign stopped 2 years later consumption returned to prior rates. Only recently (August 2005) did Greece comply with the European directive 2003/3/EC on the advertising and sponsorship of tobacco products, forbidding free distribution, promotion, sponsorship, or advertising. Greece complied with the EU Directive on Tobacco Product Regulation (EU Directive 2001/37/EC) (warning labels).
Introducing tobacco-free zones in public transport, and in private-sector and public-sector workplaces, and creating smoking cessation clinics have been at the forefront of suggested instruments by experts. Especially in a culture that encourages a public-space function of smoking. However,

most ministries seem afraid to face the tobacco companies’ pressure and keep such ideas on the drawing board. Many loopholes in laws on tobacco control, e.g., a ban on smoking in the private-sector workplace, although passed by law, depends on the employer who has the final decision whether or not smoking is to be permitted in the workplace.

IN SUM, pre-EC/EU measures short-lived, abandoned when diversification in tobacco-producing areas did not proceed. EC/EU measures compliance, but avoidance – to the extent possible – of instruments that may curtail smoking.
Telecommunications

- SE public telecoms companies: generally successful public monopolies which, despite a tradition of inward-looking development, compared favourably with other small and medium European public operators.

- Telecoms liberalization and privatization have been focal points of the general privatization wave in the 1980s.

- The EC/EU level has been crucial in determining the particular policy responses to international stimuli. After 1984, the influence exercised by external factors (US and international pressures for liberalization) as well as technological change and growth in the sector meant that the Commission enjoyed exceptionally favourable circumstances for action in telecoms.
Concern with deficits and public indebtedness led to the underlying shift from privatization as an instrument of restructuring to privatization as an instrument of European convergence.

The ensuing two basic dimensions of SE privatizations (states in fiscal strains struggling to balance the books; EU members striving to adjust to its development) defined the debate about how best to use privatization receipts and also about how best to present the use of receipts. The receipts could be used to reduce the deficit, or they could be used to invest in infrastructure and industry modernization.

Despite the need for investment in modernization, the political conditioning of the process implied that if privatization receipts were used directly to reduce the deficit, governments could anticipate political benefits resulting from their ability to afford tax reductions.
GR: privatization of public enterprises got a difficult start in the late 1980s with government announcements of intention to privatize but without any agreed plan as to the pace or sequence of privatization: the instrument of sequential selling (beginning with the most profitable firms and then restructuring the less efficient ones which can be sold at a later stage) was initially considered (because of the immediate need for receipts), set the stage for ensuing public debates, but eventually was not followed as a clear policy line across the board.

As a result, privatization of major utilities and strategic firms emerged as an issue very early, even if actual privatization plans remained unclear. A single large privatization in the early 1990s, that of the cement company AGET, one of Europe's biggest cement exporting companies, accounted for Dr130bn of the Dr160bn of general privatization receipts by 1992.
The Commission promoted liberalization by utilizing the most powerful provision that was available to it: its right under Article 90 EC to issue directives by itself in the cases in which member state governments have endowed enterprises with rights conflicting with Treaty rules.

In terms of regulatory change as a process, Greece shares with Italy the experience of a number of protracted, stop-go privatization processes.

Unfavourable domestic environment: PASOK governments in the 1980s pursued expansionary economic policies and redistribution, particularly in the early years, in an approach that led to increased public indebtedness and further extension of the public sector.
Despite the fact that groups within PASOK had, by the late 1980s, acknowledged the need for partial privatizations, it was the fall of the PASOK government in the June 1989 elections that set in motion privatization processes.

In early 1990s, along with Italy and Ireland, Greece has been one of EU member states with the lowest record (below 70%) of incorporation of directives on telecommunications. Yet there was no general difficulty with liberalization: for example, in the mobile phone market, by 1992 Greece had become among the first countries in Europe to have competitive GSM services (Wall Street Journal, 8-9 Sept 1995). The issue at stake was to safeguard the state telecoms group and its linkages, against a political background which was generally unfavourable to economic liberalization.
OTE was given a monopoly control of all telecoms services by Law 1049/1949. Networks linking politicians, civil servants, trade unionists and telecoms-related companies. Most of the aforementioned frictions with the EU have involved issues of public procurement.

The 1989-1993 conservative government decided the sale of a 35 per cent stake to an international telecoms operator and a stock market flotation of another 14 per cent. By 1993, OTE was a relatively successful national telecoms monopoly. With pre-tax profits of $551 million in 1993 ($749 million in 1994) and a high level of domestic coverage (53 lines per 100 people), OTE compared favourably to Portugal Telecom, Telecomm Eirann and even Spain’s Telefonica. As OTE was profit-making, the government was hoping for substantial receipts.
- Law 2075/92 limited monopoly and established National Telecoms Commission, which would also be responsible for licensing. International firms were invited to submit expressions of interest to the Greek Government's financial advisors for the 35 per cent stake along with the company's management, a sensitive issue due to procurement practices.

- The concerns of those who opposed the OTE privatization programme were addressed in autumn 1993 by the new PASOK government, which aimed to construct a privatization package that would be more acceptable to a number of groups. In an era of telecoms alliances, the control of the privatized OTE's management was a crucial issue and the PASOK government's pledge to keep OTE control ‘in public hands’ satisfied both unions and procurement beneficiaries.
The new government initially suggested that it was considering the flotation of a total of 25 per cent, of which 18 per cent to foreign operators through a book building procedure and 7 per cent to domestic small investors. The decision on the sale of 35% to an international operator was repealed. Process suspended in 1994.

Partial privatization was re-started in 1996 (Simitis) and by 2001 it had become the first public enterprise to be controlled by private capital. The new (after the 2004 elections) management of the partly privatised telephone company reached an agreement with the labour union, according to which attractive incentives for voluntary early retirement were to be offered in view of reducing personnel. In exchange, future recruits would not be covered by employment guarantees in terms of length and remuneration.
As of 2009:

- Government holds 28% of company stock
- In 2007, Marfin Investment Group acquired 20% of OTE, then in 2008 sold it to Deutsche Telecom, which now holds 25%
- OTE major expansion in SE Europe and in CIS
- In 2006, OTE sold 90% of the Armenian provider ArmenTel to the Russian company OJSC
- No official government control over management practices and procurement, but government still appoints CEO
- IN COMPARISON: eventual FULL privatization of Olympic Airlines (to Marfin Investment Group) in March 2009
- Success depended on tools & methods used to privatize
Military reform

- Huntington (1995): reform of civil-military relations is often successful as it imposes few costs, unlike, e.g., economic reform, & produces widespread benefits: cuts in spending, reductions in service, etc

- Greek case post-1974: relative success with different tools, increased costs, and major side-effects

- Facets of reform:
  - Conscription length and features,
  - Arms procurement,
  - Organization of the military,
  - Personnel management changes
- Military expenditures approx. 4.5% of GDP in the last 5-year period, with oscillations
- As of 2003, GR has set the military service to 12 months for the Army, 15 months for the Navy and 14 months for the Air Force
- Citing ‘Turkish threat’ and to counter the numerical disadvantage (Greece's armed forces number 170,000 while Turkey’s 690,000), the government of Greece embarked on a new ten-year, $17 billion modernization program
- Biggest spender in NATO (relative to GDP) after the US and Turkey; also third or fourth in absolute numbers in specific areas (submarines, artillery, etc). *An arms race?*
- Statistical analysis confirms that Greece’s and Turkey’s military expenditure were ‘cointegrated’ until 1985 (they tended to move together) but not thereafter. If there was an arms race, it stopped in 1985.
In conclusion,

- A case-by-case analysis would point to the crucial roles of interest coalitions and policy instrumentation.
- Politicization, as such, does not explain the success or failure of attempted policy reform.
- The extent and form of politicization will depend on the particular profile of interest coalitions involved and the particular type of policy instruments chosen.
- Certain difficult cases (e.g., Olympic Airways/Airlines) reached a successful conclusion once (a) the terms became clearer and (b) legal instruments were used not to guarantee union power but to encourage a fresh start for the new investor.
- We will be unable to assess the overall picture (‘limits of Europeanization’, etc) unless we look into pre-1981 cases (such as military reform) and their implications.

- Implications of military reform post-1974: (a) continuous search for cash (hence the initial choice of the instrument of sequential selling for privatizations in the 1990s), (b) consolidation of policy coalitions involving defence procurement and other interests, (c) effects on political culture.

- ‘Populism’ and ‘modernization’ have been used to rationalize policy actors’ expectations regarding success or failure in policy games.
- Lack of congruence between policy actors’ and the authorities’ systems of meaning (linked to the *aims* and the *declared objectives* of policies) is associated with blockages in policy reform.

- Political culture needs to be brought back into the mainstream of Europeanization studies.

- The meaning of a particular policy from the perspective of the policy actors involved (i.e., the elements that each one of them wishes to preserve when ‘translating’ between aims and objectives) is crucially influenced by policy instrumentation.
References