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**Privatization in the Name of ‘Europe’:  
analyzing the telecoms privatization in Greece  
from a ‘discursive institutionalist’ perspective**

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**ABSTRACT**

This paper analyzes why governments in Greece have systematically appealed to ‘Europe’ during their domestic privatization discourse. It illustrates that, when proposed policy reforms get rough and the opposition grows, governments anticipate garnering increased public justification in order to implement their policies by justifying their choices in the name of Europe. In addition, it attempts to contribute to the opening up of discourse analysis in the field of political science and to reveal how the institutional arrangement across a polity is at least partially responsible for the approach national actors pursue in it and the form of the domestic discourse they produce.

Keywords: privatization, discourse

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**1. Introduction**

From the period when the Greek application to the EEC was discussed in the national parliament in 1977 up until today, major decisions in Greek politics have been largely justified by the national actors in the name of ‘Europe’. In 1977, the Greek PM Konstantinos Karamanlis interrupted the speech of the leader of the Opposition, Andreas Papandreou, who had previously accused the government of sacrificing the country at the altar of ‘we belong to the west’. The PM argued that Greece belongs to the western world both by tradition and interest. Three decades later, when the Greek PM George Papandreou announced to the nation the reason why the country had to resort to the activation of the EU-IMF economic support mechanism and eventually apply a series of austere reforms, he also systematically referred to Europe. PM Papandreou stated (BBC:23.04.2010) that ‘our European partners will decisively contribute to provide Greece the safe harbour that will allow us to rebuild our ship.’

This paper examines the reason why political leaders in Greece -over and above party lines- have continuously felt the need to refer to 'Europe' as the main legitimating factor of their chosen policies. It examines the relationship between the national institutional layout and the form of the communicative discourse, as the ultimate resource to overcome domestic blockages. The latter involves the effort made by national actors to justify, usually via public deliberations the application of a policy. According to Schmidt (2008:310-311) communicative discourse 'consists of the individuals and groups involved in the presentation, deliberation, and legitimation of political ideas to the general public.' For example actors that favour privatization will promote by all means and attempt to legitimate the policy to the general public. Simultaneously though, all those actors that oppose the policy will make an effort to impede or even block the policy. Both sides communicate their responses to the general public stimulating the national discussion. The objective is to win over as much of the general public as possible in order to legitimate the application of their policy-choices.

The argument supported is that in polities where the institutional layout does not incorporate interest groups within a functional corporatist system and its political settings are largely characterized by political and social polarization, national governments that attempt to justify their policy choices often appeal directly to the general public. In such cases, if governments do not come up with a sufficiently legitimating communicative discourse about the application of privatization they may face sanctions ranging from mass protests to loss of

public confidence. Therefore, during an intensive communicative discourse they appeal to the citizens rendering them as the ultimate judge of the necessity of the policy. They seek to follow a particular discourse that will simultaneously justify privatization, but more importantly, will facilitate them to build an impetus and garner adequate public support to implement the policy, because they believe that the outcome they hoped for is not feasible if supported only in its merits. In such cases, the policy process takes the form of rhetorical frames appealing to shared political, social and economic understandings. According to Campbell (1998: 394), in an attempt to justify their political and technical choices, policymakers employ ‘symbols and concepts with which to frame solutions to policy problems in normatively acceptable terms through transposition and bricolage.’

This paper argues that the national strategic goals were identified by the national actors in the discourse and built around the prospect of failing to keep in track with the main EU policies including the completion of the single market, and EMU participation. Governments chose to associate the application of privatization with the realization of grand strategic national goals, related to the EU, with which citizens could theoretically identify their interests thus hoping that the general public would show more understanding for its application. The analysis specifically explores the telecoms privatization politics in Greece throughout the last two decades and presents the type of discourse and the nature of the arguments domestic actors employed in order to justify their policy choices. Examining the telecoms privatization discourse is

interesting because of the always increasing role of telecoms in the well-being of a modern society and its fundamental influence in most sectors of a national economy. In addition, it is possible to examine the effect ‘Europe’ had in the public debate regarding the status of the ownership and the functioning of the main telecoms provider by looking into the response the national actors had to the extensive EU legislative initiatives in the sector.

## **2. Theoretical Background**

### *2.1. Discursive institutionalism*

This paper employs new institutionalism as the theory that examines the way institutions interact and affect society and affirms the critical role they have in the conduct of political affairs such as privatization. New institutionalism states that a society’s institutional settings not only structure the behavior of its actors, but they also set the boundaries within which choices are made and through which preferences are derived and expressed. As Peters (1999:150) points out ‘institutions are considered the central component of political life. In these theories institutions are the variables that explain most of political life, and they are also the factors that require explanation. The basic argument is that institutions do matter, and that they matter more than anything else that could be used to explain political decisions.’



However, it builds on the theoretical framework linking new institutionalism with discourse analysis. The latter unfolds in the form of ideas that are publicly articulated by national actors who compete among themselves in the process of convincing their targeted audiences about the appropriateness of their views. It is not only limited to what is actually said in the national discussion, but signifies under what conditions and how national actors appealed to each other and exemplifies the various complex issues entailed within the political process of a polity. March and Olsen (1995:66) argue that ‘discourse serves to explain political events, to legitimate political actions, to develop political identities, to reshape and/or reinterpret political history and, all in all, to frame the national political discussion.’

Such an approach is useful when examining privatization politics because it is inadequate to explain the privatization process by relying exclusively on the type of institutional layout a country has. At the same time it would not be possible to investigate discourse in isolation, as it is only one among various possible features that explain policy change. Schmidt and Radaelli (2004:193) coin the term ‘discursive institutionalism’ arguing ‘that discourse must be set in institutional context, not only as one factor among a range of salient factors, but also in terms of its institutional setting, that is, in terms of the vast range of rules – culturally framed, path dependent, or interest-based on the national level, institutionally agreed at the EU level – that affect policy-making in any given socio-political setting.’ Schmidt (2008:303) argues that ‘the newest “new

institutionalism,” discursive institutionalism, lends insight into the role of ideas and discourse in politics.’

## *2.2. Europe as a legitimating factor*

Although the EU has manifestly kept a neutral position on the issue of ownership and has not openly promoted privatization, it would not be possible to analyze the national privatization discourse without examining the impact of the EU policy effects on the domestic policy making process. As Lane (1997) argues ‘it is difficult to explain the emergence of privatization on the agenda of so many different nations at roughly the same time if we take it for granted that it is domestic factor variables that mainly determine policy’.

In European politics, during the last two decades, the announcement and application of privatization has profoundly challenged each country’s political institutions. Although, EU legislation and policy have not explicitly required member states to privatize state owned entities their effects -among others the liberalization directives, the single market, EMU and EU competition legislation- have been so important that in some cases they acted like an external stimulus which severely influenced the domestic discourse. In fact, before the completion of the fully liberalized EU telecoms market (1998) all member states had proceeded with at least the partial privatization of their telecoms. Thatcher (2001:574) notes that ‘in telecommunications, binding supranational legislation offered major domestic advantages for national

governments of providing impetus for reform and a means of blame-shifting. Governments used EC legislation “imposed by Brussels” to justify reforms such as liberalization and privatization and to aid them to overcome domestic opponents to change such as trade unions and parts of the political left’.

Although ‘Europe’ may be utilized as a legitimizing device within the domestic discourse, the references to ‘Europe’ as such are not always consistent in its substance. For example, on some occasions governments have legitimated their privatization programmes by linking ‘Europe’ with ideological claims and on others with fiscal planning needs. Wright (1994:6-7) supports that ‘one can distinguish between the ideologically and politically inspired privatization ambitions of the neo-liberal conservative governments...and the more pragmatic and limited ambitions of the governments elsewhere...in some cases, this package [privatization] is ideologically inspired...in others it represents a reluctant managerial adjustment to changed economic and financial circumstances’.

Neo-liberal advocates believe and openly advocate that the public sector will improve its economic and administrative efficiency, only if market oriented policies such as privatization are applied in most sectors of an economy. In this case national actors have used the processes leading to the single market and the EMU and the EU liberalization directives as the main tool that would legitimate their neo-liberal ideological beliefs. The root of the privatization movement has been based on the principle that market competition in the

private sector should take precedence over socio-political criteria, as the former provides citizens with better services, more choices and secures important economic benefits for the government. Peters and Pierre (2003:4-5) state that 'the strategy seems to have been that future legitimacy of public sector institutions should rest less on traditional values like universality, equality and legal security and more on performance and service delivery...the reform of the public administration over the past several decades has concentrated on the managerial aspects of government, attempting to make government more efficient, effective and economical. These three Es have driven a massive change in the public sector, much of it focusing on the role of the market as an exemplar for good management'.

In the absence of an expressed ideological pledge, governments have legitimized their privatization programmes on pure financial considerations related to the performance of the national economy and the fiscal needs. In some occasions, governments publicly stated that they would accelerate their privatization programmes in order to achieve fiscal stability, and therefore, keep in track with their responsibilities as they were set by the EU, particularly in order to participate in the EMU. In other words, the selling of state assets raises money for public sector managers and for governments which are under the pressure to divest from a state problem such as reducing the public debt or fill in budgetary gaps. Privatization has proved to be an attainable method to raise capital, ease down fiscal difficulties and reduce the public debt. Wright (1994:24) remarks that 'despite its problem-ridden and paradoxical nature

privatization will remain on the European policy agenda, if only for financial reasons. It is a pot of gold for governments short of money and unwilling to raise taxes.’ Similarly, Kay (in Wright 1994:5) describes that even governments that had intensely opposed it in the past eventually acknowledged that ‘achievable objectives became reasons to justify the programmes’.

The argument built here is that Europe whether considered as a positive or ultimate legitimating resource for troubled national governments may act as a means to justify policies that are otherwise less likely to obtain assent. Thatcher (2004:284-309) acknowledges the significance the EU has in the justification of national policy choices and notes that ‘using the EU to legitimate reforms is linked to discourse: actors use European integration as part of strategies of ‘communicative discourse’ to obtain assent to reforms...Discourse is a weapon for certain actors; and offers public evidence for the use of European integration as a resource’. At the same time though, it is necessary to point out that although all member states were required to deal with the EU policy effects, not all of them found Europe as a positive resource that would assist them in the justification of their national privatization programmes. As Clifton, Cumin and Diaz (2006:740) underline ‘privatization in the EU has its own defining features, patterns, hallmarks and “values”. Developments in the EU have acted as catalysts or filters and may be used to explain the development of EU privatization’.

### **3. The case-study**

#### *3.1. The pro and anti European politics in Greece during the 1970s and 1980s*

Ever since the reestablishment of democracy in 1974 and up until the mid 1990s there were two vital ideological differences separating the two main political parties: Nea Dimokratia (ND) and the Pan-Hellenic Socialist Movement (PASOK). The first one dealt with the international status of the country and whether Greece should join the EU and NATO, and the second largely concerned the dispute of liberalism versus socialism. Both debates were intense and polarized the political and social climate to a great extent that would last until the mid 1990s.

From the moment the two new political parties were founded in 1974, the debate concerning prospective Community membership arose as one of the most divisive issues drawing a line between their leaders. ND's founder Konstantinos Karamanlis was a genuine supporter of an economically and politically united Europe and immediately made it clear that ND was a political party with an unambiguous European orientation. This was verified by the party's founding manifesto (ND:04-10-74) which declared that 'ND believes that Greece not only has the right, but can actually safeguard the pride and the happiness of the people, within Europe, where it belongs, if it makes sure to mobilize all the competence and virtues of its people. Independently of its size, Greece's cultural heritage, the Hellenic aura and the spirit of the Greek people can assist Europe politically, ethically and culturally in order to complete the

European union.’ In contrast, PASOK’s ideological position was to directly oppose EU and NATO membership. This was clearly outlined in its founding manifesto (PASOK:03-09-74) which proclaimed that ‘Greece should withdraw from NATO... Greece should detach itself from any military, political and economic alliances that undermine our national independence and the right of the Greek citizens to decide for themselves concerning social, economic and cultural aspects of life’.

Regarding economic policy, ND underlined the importance of competition and coexistence of the public and private sectors and was committed to liberalize certain state monopolies. The party’s manifesto made it clear that ‘a liberalized market in which ND has faith does not exclude the economic enlargement of the sectors controlled by the state. In addition, the private initiatives cannot be justified without the parallel participation of the wider social classes in the allocation of the national product’. PASOK was a political party that advocated socialist ideals and aimed at representing the under-privileged Greek citizen. Characteristically, its manifesto (PASOK:03-09-74) favoured ‘the socialization of the financial system in all possible aspects including the means of production and also the imports and exports of trade...we will socialize the property of the monasteries...we will abolish private education...we will abolish private healthcare’. In short, as Lyrintzis (2005:244) underlines ‘the Greek political parties, as in the case in other European countries, used the Left-Right divide as a means to create and promote a political identity, and its

content was manipulated according to the exigencies of the political conjuncture’.

Due to the two successive electoral victories of Karamanlis’ ND in the 1974 and 1977 elections, the debate on Europe tilted toward the direction the ND governments set. In fact, after the 1974 elections, PM Karamanlis pointed out that membership to the EU was the primary goal of his government, mainly for reasons of safeguarding the democratic consolidation. He regarded that membership would sustain Greek interests within a powerful democratic economic community. More importantly, his diplomatic maneuvers achieved the early conclusion of the accession agreement which was signed in May 1979. PASOK criticized the government and described EU membership as the means of surrendering Greek interests to the objectives set by the unwanted foreign powers. At the same time despite the liberal character of his governments’ economic policy, in the name of democratic consolidation, Karamanlis insisted that the state should regain the control of certain crucial sectors of the national economy and therefore proceeded with a wave of nationalizations. These included Olympic Airways (OA)<sup>1</sup>, Greek Electrical Railways, Refineries and the Commercial Bank.

Two very important political developments which eventually proved to be conflicting sparked change in the Greek political arena in 1981. First of all Greece became the 10<sup>th</sup> member of the EEC. Indeed, Greece’s future partners

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<sup>1</sup> The nationalization of OA in 1975, previously owned by Aristotle Onassis, was one of the most famous nationalizations performed by the government.



did not accept her application with much warmth as the Commission had advised the Council not to accept the application on economic grounds. Secondly, Andreas Papandreou's charismatic personality, his well-known family name<sup>2</sup> and socialist language made him the only alternative to a ND government leading his party to the electoral landslide of the 1981 general elections.

The combination of Greece having entered the EEC and Papandreou's lack of eagerness to adjust to EEC policies led to a troublesome relationship between the Community and Greece during the 1980s. Papandreou, who had opposed membership found himself within the European Council. He had repeatedly argued that Greece should disengage itself from foreign alliances that alter the Greek national interests in favour of the foreign powers. Veremis and Koliopoulos (2003:19) underline that 'the functional relationship between Greece and its Western allies was challenged by the advent of the Socialists in power. The anti-Western undertones in PASOK's pronouncements, after three decades of almost uninterrupted official loyalty to the US and the European allies, partly reflected the sentiments of those that had been excluded from public life due to their left-wing affiliations. It also reflected widespread disappointment with the West's failure to censure the military junta between 1967-1974'. However, Papandreou's radicalism receded and several conflicting issues, especially regarding the international status of the country and withdrawal from the Community, were gradually abandoned.

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<sup>2</sup> His father Georgios Papandreou served as PM during the 1940s and 1960s.

However, there was no equivalent shift in public economic policy as the government was not willing to adjust it according to the Community set objectives. It was repeatedly emphasized by Papandreou that the Greek economy should change in order to serve national interests, not international. PASOK was pursuing an economic model that entailed the protection and even extension of state monopolies, but also aimed to ensure that certain key sectors of the economy would be exclusively under state control and ownership. The government laid emphasis on two strategies: nationalization and socialization. In terms of the nationalization programme the most significant measure took place in 1983 when the government established the Industrial Reconstruction Organization (OAE) as a state owned holding company in order to deal with 44 large but financially problematic private companies. The initial aim of OAE was to reconstruct the problematic companies and make them financially viable. However, as the years passed the number of companies held by OAE more than doubled without being restructured and their debts multiplied. Thus, while Community member states were at least attempting to decrease inflation and public debts, liberalize their markets and increase their growth rates, the Greek government was steadily producing budget deficits, increasing public debt and achieving very low growth rates.

As a result of the government's economic policy, a chaotic in size and efficiency public economic sphere had been formed by 1989. It is characteristic that before the 1989 elections PM Papandreou publicly invited the Economics minister Dimitrios Tsovolas to distribute all of the available economic

resources to the people, a comment verifying the lack of willingness to execute a stabilization programme. Thus it is no surprise that Greece, under Papandreou was regularly characterized as the ‘awkward member’ (Papadopoulos, 2004) or the ‘political and economic black sheep of the EU’ (International Herald Tribune:13-01-99). Dinan (1994:83) argues that ‘if the EC could have foreseen the problems that Greek membership would pose in the 1980s and early 1990s during the rule of Andreas Papandreou’s anti-EC governments, the accession negotiations might not have concluded so swiftly, if at all’.

In the meantime, the constant mismanagement of the Greek economy was an issue which the Community could not continue to ignore. As Featherstone (2003:933) points out ‘in March 1990, the then Commission President, Jacques Delors, wrote to Xenophon Zolotas, the technocratic head of the all-party government, warning that the deteriorating economic situation in Greece was “a serious concern for all of us.” Indeed, the dire Greek situation threatened the ability of the EC to achieve its major common objectives: the single market, EMU, and the unification process as a whole’.

### *3.2. The Greek disjointed corporatist system*

Historically, the lack of a corporatist system which would integrate interest groups in the policy-making process traditionally limited the role of the social dialogue to a restricted form dealing only with the issue of wages. Labour unions functioned within a polarized political environment and maintained a

party-political identity which fragmented them internally and encouraged the prevailing confrontational style of politics, regularly expressed through mass protests and strikes. The weakness of the labour movement to organize itself independently of political parties led them, in many cases, to act more as the extension of the political parties with which they were affiliated rather than as a unified collective body. As Spourdalakis (1998: 210) notes, with reference to Greece under the PASOK governments in the 1980s, 'clientelistic relations lost their personalized character, but resurfaced through the party structure and activity. An important aspect of politicisation has been associated with the implications of party politics for interest representation: it has been suggested that parties have colonised interest groups'.

In contrast, business interests were always predominantly organized along sectional lines and were more independent from the state. Although, many of the big businesses in Greece did not participate in the formal employer confederations, once an agreement was reached between the unions and the employers, all of them were obliged by law to accept the agreements and put them into practice. Lavdas notes (2005:311) that Greece falls under the category of 'disjointed corporatism and argues that 'the limited nature of the social dialogue in Greece implies the reproduction of a pattern of power relations which relied on a specific system of relations between political institutions and interest groups: a system marked by weak state capacities and asymmetrical penetration of state structures by various interests. The politics of stalled social dialogue reflect the combined difficulties in building less porous

political institutions and extending the Europeanising strategy to further areas. The Greek system of interest intermediation, with its combination of asymmetrically statist historical legacies, comprehensive but internally fragmented interest structures, resistance to extending negotiations in the direction of social pacts, and party-political influences, has been a case of 'disjointed corporatism'.

Due to the lack of a corporatist system that guarantees broad interest representation, the polarized and majoritarian character of the political system governments have instigated privatization measures largely in a unilateral fashion. Thus, there is no political consensus and a lack of adequate consultation with the affected interest groups and consequently governments promoting privatization have to cope with the opposition coming from the political parties and the excluded interest groups. As a result governments have attempted to justify their choice to enact a privatization programme in the name of 'Europe'.

### *3.3. OTE as a case study*

The Greek national telecoms company OTE, was created in 1949 in order to bring several related public and private enterprises under one telecoms umbrella. Over the years the role and significance of OTE within the Greek society swiftly grew due to the rapid technological advancements and opportunities that telecoms offer. As a result by the 1980s, OTE had evolved

into the characteristic state champion operating within a national monopoly and functioning under a strict public law regime.

The first calls to privatize OTE entered the national political agenda in 1987 as a result of an external stimulus, in particular the process leading to the single market and the introduction of pan-European competition. At that stage there were three major arguments in favour of the partial disembarkment of the state from the telecoms sector. Firstly, there were economic arguments because of the rising dissatisfaction with the performance of public enterprises and the parallel anticipation that competition would improve efficiency. Secondly, the rapid technological advancement seriously weakened the claim supporting the existence of public monopolies, which in any case would be abolished in the telecoms sector within the following decade due to Community legislation. Thirdly, there were political reasons because in certain countries, especially the UK, there was an evident shift in the conception of the role of the state due to the spread of neo-liberal thinking.

The analysis of the privatization discourse of OTE constitutes a critical case study for a number of reasons. Primarily, it was the first major state owned entity that was put under the process of privatization by the Mitsotakis government in 1990 and remained on the privatization agenda of every Greek government –with no exception- ever since. Secondly, it was a long standing profit-making company as it controlled the most rapidly developing sector of the economy and employed a very significant number of employees. Therefore,

the decision to enact a privatization programme for OTE not only sparked reactions among trade unions and society but actually raised national sensitivities of ownership, highlighted conflicting economic paradigms and was by result a focal point of EU-driven reforms.

## **4. Empirical Analysis**

### *4.1. The Mitsotakis government 1990-1993*

After the second consecutive electoral defeat by PASOK in 1985, the leader of ND Constantine Mitsotakis underlined that his party would win the next elections only if it convinced the public that it had been transformed into a modern European political party with a manifest neo-liberal economic agenda. As a result in June 1987 ND presented its new economic programme which was not only deliberately harmonized with the Community objectives, but was actually built around them.

The party established as its number one priority the country's effective preparation for the single market. ND stressed that it was whole-heartedly in favour of the single market and considered adjustment to the Community requirements and legislation as the only way forward in order to modernize the public sector and improve the national economy. This was spelled out clearly in the party programme (ND 1987:14) which outlined that 'the Single European Act has opened the way for the completion of the European internal market. In

a few years' time it will be impossible to maintain institutions that are anachronistic and non-productive...The vision of 1992, which Greece has also espoused, is a truth and therefore ND has incorporated in a harmonious and consistent manner all the necessary measures, institutional and others, so that the country may live up to the great challenge. Under these historical conditions, the Greek economy must regain satisfactory growth rates. This can only be achieved with the spread of the means of production and with the encouragement of private investments in all sectors of the economy and more specifically in industry, manufacture and services'.

More importantly, ND was the first Greek political party to incorporate privatization in its manifesto, considering it as the most appropriate method to improve SOEs' governance. The party's economic programme justified the adoption of privatization on ideological reasons which were directly associated with Community developments. As a matter of fact it explicitly linked privatization with the single market by stating (ND 1987:18) that 'the recent international developments and more specifically the European challenge that is embodied in the Single European Act makes it our duty, not only to put emphasis on the institutions of a free market economy, but to adopt with courage and the strong sense of duty to the future of our country the policy of privatization.' In other words, ND not only argued that privatization was the most suitable means to modernize SOEs but formally legitimized it in its economic programme in the name of European integration.



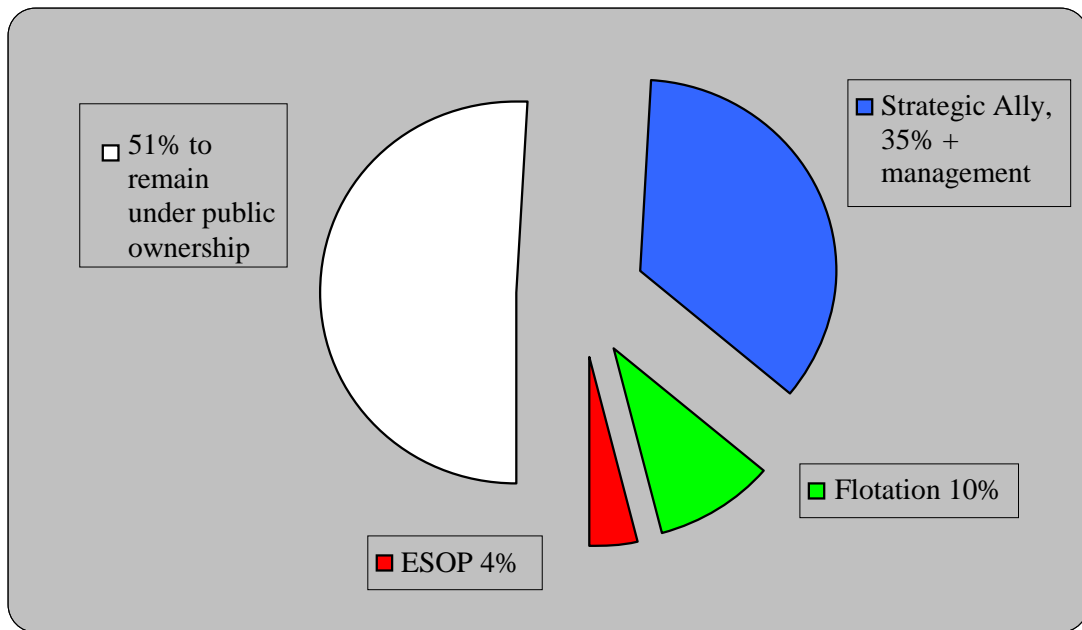
The neo-liberal, European inspired strategy incorporated by the party helped to serve a triple goal. Firstly, it presented the Greek public with an alternative ideological foundation to help modernize the unproductive public sector in contrast to the socialist model advocated by PASOK. Secondly it provided ND with the necessary macroeconomic policies, tools and the required external discipline for the adoption of internal austerity reforms. And finally, as ND directly linked neo-liberalism with the single market, it was regarded as being a part of a pan-European initiative based on common principles and objectives and not solely on a domestic policy decision which sought to accomplish short-term political benefits.

The first wave of the Greek privatization programme took place during the ND government of Constantine Mitsotakis from 1990-1993. In its three year reign the Mitsotakis government placed privatization at the centre of the political agenda. The PM systematically linked in the communicative discourse the application of privatization to the Community effects through a series of manifestos, press releases, speeches and interviews. Characteristically, Mitsotakis declared (Mitsotakis:22-05-92) that ‘for us the EU is our central national aim and our main pursuit. This is why we will accelerate the privatization process, which I have to confess is a difficult matter, but recently our results are very positive’.

In the case of OTE, the government used the EU based constraints, during the communicative discourse, as a tool to facilitate and accelerate its privatization

programme. The privatization plan put forward included the privatization of 49% of the national telecoms of which 35% and the management would be sold to a strategic ally, 10% would be floated in the domestic Stock Market and 4% would be distributed to the employees of the company. The government firmly believed that by associating the OTE privatization with the EU strategic goals it would earn social justification in the eyes of the electorate, enabling it to apply its policies, despite the disagreement of the opposition parties and the labour unions. It declared that it decided to privatize OTE because (Eleftherotypia:23-05-93) 'by 1998 the Community is abolishing the monopoly in the telecoms sector. This means that all the other telecom companies can come and establish themselves in Greece and offer their services to the Greek consumers in competition with the public OTE. Do you honestly believe that under the current circumstances OTE could cope with such competition?...The danger is great to leave OTE on its own to compete with the European giants, that is why the government decided to give 35% of the shares of OTE to an able strategic ally in order to safeguard the company and help it modernize and adjust to present and future needs...the UK, Spain and Italy have all privatized their telecommunications [at least partially]...Portugal, the Netherlands, Ireland, Denmark and Belgium have all announced that they will sell their telecoms by 1995. In addition the German and French governments are in the process of passing legislation in parliament that will allow them to privatize. The entire world is changing, only we are remaining stubborn.

**Figure 1: ND's OTE PRIVATIZATION PLAN**



At the same time though, the restoration of the public finances had evolved as the top government priority and the privatization of OTE was the most practical way to reduce budget deficits drastically. At that period it was publicly acknowledged by both the PM and the minister of the National Economy Manos that the privatization of OTE had serious fiscal implications for the government, which was committed to the Commission to reduce budget deficits. Mitsotakis noted (Eleftherotypia:15-04-93) that 'if OTE is not privatized we will have problems with our budget'.

In its public discourse the Mitsotakis government systematically linked its privatization programme with the accomplishment of its EU strategic goals, thus confirming the assumption. It stressed that privatization was a necessary consequence of the EU integration process and regularly associated it with the need to adjust to the single market and to participate in EMU. The government

used the EU based constraints, during the communicative discourse, as a tool to facilitate and accelerate its privatization programme. It firmly believed that by associating privatization with the EU strategic goals it would earn social justification in the eyes of the electorate, enabling it to apply its policies, despite the disagreement of the opposition parties and the labour unions. Although there was a systematic effort to link the privatization programme with the realization of the strategic EU goals, it was ultimately not completed. The EU may have been used as an external stimulus to promote the measure in the national arena, but at the same time the OTE privatization plan put forth by the ND government did not allow room for political and social compromise and the government had a very fragile parliamentary majority of only two MPs. The domestic actors were neither consulted nor convinced about the necessity of the measure. They blocked it effectively and managed to divide the governing party and lead it to its political collapse.

#### *4.2. Papandreou governments 1993-1996*

Before the 1993 elections Andreas Papandreou expressed his party's intention to cooperate with the Community in economic policy and erase his anti-EU profile which he had attained as PM in the 1980s and had reinforced when he was in the opposition. One month before PASOK's electoral triumph, on the third of September 1993, exactly 19 years after the publication of its founding manifesto, Papandreou presented a revised version. The party's propensity to be an EU skeptic was limited in relation to the past and thus the revised

manifesto did not include any polemic statements against EU and NATO membership. In contrast, it acknowledged the importance of supranational institutions for a well-functioning economy and an enhanced national security. Papandreou actually stated that his party had embraced Europeanization by proclaiming (Papandreou:27-09-93) that ‘the future of our country in Europe, as a country that fully participates in the European evolution, will depend on the policy followed by the next government that will be formed after the elections’.

Furthermore, the party’s economic programme was significantly altered and the position regarding privatization had adjusted to the new ‘Europeanization’ spirit. However, the party’s position regarding OTE’s privatization remained largely unchanged. Papandreou emphasized that OTE, should remain under state ownership. Characteristically, he said (Papandreou:28-09-93) that ‘if you give away the management and 35% of the company the country will be devastated. This is unacceptable. We reject it whatever the cost may be. I wish to make this clear...The handing over of OTE to a foreign strategic investor would be catastrophic for the country...If you do not control telecommunications in your country, then God help you.’ He claimed that his government would guarantee (Papandreou:28-09-93) that ‘the status quo of strategic state owned entities including OTE should involve a public majority accompanied by public and social control.

The party's ideological shift whether characterized as a political adjustment or an electoral maneuver served a twofold objective. Firstly, PASOK had no reason to keep its anti-EU stance, because the EU had been identified in the national conscience with security and economic development, especially through the Delors packages. Secondly, it gave PASOK the opportunity to criticize the neo-liberal model proposed by ND and at the same time it offered an alternative set of policies that would keep both the voters and the EU content. In short, the integration of PASOK's traditional socialist language and ideology with European policy aims indicated its development into a modern European socialist party.

After taking office, Papandreou declared that the convergence programme and the road towards the EMU were the driving forces of the government's economic policy-planning and carefully linked it to privatization. This was signified by the PM who commented (Papandreou:23-12-93) that 'the Greek public, my government and I are constantly dedicated to the objective of European unification...privatization and market liberalization are policies that do not necessarily collide with the interests of the weaker members of society and the preservation of the social state'.

A few months after the government's inauguration, the Commission strongly suggested that if Greece wanted to join EMU, it had to stabilize its economy and maintain fiscal consolidation. As a result it recommended the adoption of specific measures in order to improve macroeconomic figures. It issued a report

stating (Kathimerini:23-03-94) that ‘it is unfeasible to successfully restructure the public finances by improving the tax collection mechanisms only. Additional measures are required which will help reform the national economy...Among the proposed measures are the improvement of the quality of services provided by the public sector through competition and privatization’. Papandreou was called to prove that his government was ready to respond to the Commission’s requirements and to restore the public finances. He firmly argued that such an adjustment was inescapable and outlined (Papandreou:27-05-94) that ‘the objective conditions made it an absolute necessity to adopt such measures. Absolute necessity. Even if that, as you claim and arguably others as well, is contrary to what we had promised before the elections’.

The government was determined to adjust to the challenges of Europeanization even if some party members were not able to absorb such a rapid policy change over a relatively short period of time. The association between the accomplishment of the EU oriented strategic national goals and privatization, provided the government with the much needed social impetus to justify its policy shift and choices. This is verified by the non-negative response of most social actors to the privatization plans presented by the government. The example of the unions is characteristic as they admitted that they were unprepared for such a development but realized that privatization was an inevitable development and were ready to accept it as long as certain circumstances were met.

Hence in December 1993 the Finance Minister Gennimatas announced (Kathimerini:01-12-93) that 'the flotation of 20% of OTE's shares will be completed within a month'. The privatization announcements were formally made only after the Commission's recommendations regarding the 1994 budget and without any public consultation with the interest groups. Apparently the government believed that within a month it could surpass the legal, political, economic, social and 'moral' difficulties of such a complicated venture. However, the main difference with the plan put forward by the previous government had to do with the method, which included exclusively a flotation. In any case though, the inherent difficulty in implementing it so rapidly made the government goal largely unattainable.

Despite the temporary rescheduling of the flotation, the privatization of OTE had reached the top of the government's agenda for 1994 since it was the main vehicle for trimming down the budget deficit. It laid much emphasis on the convergence programme as it was considered the driving force of the Greek economy. This was signified by the PM who commented (Papandreou:23-12-93) that 'indeed, it is a fact that the Greek economy, as the entirety of the European economy, is facing significant stabilization and adjustment problems. Our goal is to apply a series of measures in order to deal with it and help the economy recover...Our ultimate goal is to achieve the convergence criteria that will permit us to be a full member of the process that leads to the economic and monetary union'. Nevertheless, although the government and the Commission were working together to come up with a new convergence programme, the



latter continued to express its discomfort with the status of the Greek economy. One month before the formal submission of the convergence programme the Commission's VP, Christofersen, repeated (Kathimerini:26-05-94) 'the need to construct a credible economic programme...I am not satisfied with the progress of the Greek economy because we have no room to be satisfied, not even the government is satisfied with the excessive deficits, which are the largest within the Community'.

In September 1994, one month before bringing the bill dealing with OTE's partial privatization to Parliament, the Commission approved the government's new convergence programme which included the flotation of OTE. The decision to enact a privatization strategy was welcomed by the Commission as a step forward and Christofersen commented (Kathimerini:02-10-94) that 'the objectives the Greek government has set are realistic and can be obtained by 1998 in order to ensure that Greece fully participates in the third stage of the EMU starting in 1999'. The Minister of Economics, Alekos Papadopoulos, confirmed this by outlining (personal interview) that 'the decision to privatize OTE was directly linked to the convergence programme we had to present to the Commission. Our country at the time had a credibility problem internationally and the restoration of this credibility was the major issue of the government'.

In the meantime Giannos Papantoniou, a pro EU-economist, took over in the Ministry of National Economy on the 15th of April 1994 and announced the

acceleration of the OTE privatization<sup>3</sup>. Papantoniou announced that the percentage of shares that would be floated would be increased to 25% and since the Athens stock exchange would not be able to absorb such a large issue it decided to place 18% of OTE's equity with international institutions abroad and only 7% for a domestic tranche. However, in an attempt to distinguish PASOK's plan from that of the previous government, he outlined two basic differences. Firstly, PASOK guaranteed that the majority of the shares and the management of the company remained with the state. Secondly, he stressed that the privatization method chosen through a public flotation via the stock exchange was undeniably a more transparent process, than the direct trade sale of 35% of the company to a foreign strategic ally.

At that stage the government argued that there were two main reasons the privatization should take place. Firstly it believed that it was very unlikely for a public sector company to adjust to the increased EU competition. Secondly, the flotation was a realistic way to draw additional economic resources and ease down fiscal difficulties. In fact it was decided that 2/3 of the privatization revenues would be used to fill in budget deficits whereas only 1/3 would be allocated to OTE, thus confirming that the government's main motivation was the reduction of budget deficits, which was an EU requirement.

Nevertheless, despite the fact that Andreas Papandreou's governments announced the OTE privatization on various different occasions it was never actually implemented. It is interesting to consider that the OTE privatization

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<sup>3</sup> Gennimatas passed away

programmes did not fail in their application because they were incapable of garnering sufficient public support but did not go according to schedule due to government mishandlings and misfortune. Firstly, Gennimatas declared that the government would float 20% of OTE only one month after the Commission recommendations had been announced. The plan collapsed because there was a legal vacuum in relation to Law 2167/1993 which enabled the privatization of 49% of OTE, which PASOK had promised to repeal. Moreover, there was no financial evaluation of the company. In the second case, a few months later Gennimatas provided for a wider time frame but his passing away found the government not having succeeded in dealing with either the legal vacuum or the company's evaluation. In the third case, in the beginning of 1995, his successor, Papantoniou eventually acknowledged that the government handled the situation hastily as it was too early for such a project as the financial markets were not ready to pay the price the government had set as its minimum goal. Finally, in the fourth case in late 1995 the privatization was rescheduled after the PM was admitted to hospital. In short, the failure of the Papandreou government to perform the privatization of OTE was due to the ill planning of the process and the misfortune and not to the unpopular or ineffective reasons brought forth by the government.

Similarly to the previous government, PASOK did not hesitate to justify in its communicative discourse its privatization programme in the name of European integration. This was done in a rather different manner than that of its predecessor. In this case it was the EU putting pressure on the Greek

government to privatize, whereas in the Mitsotakis government there were no formal EU recommendations. However, the association of privatization with the EU constraints was deliberately employed by the government in order to gather the sufficient legitimation to perform the policy, but for the reasons mentioned it was forced to pull back.

#### *4.3. The Simitis governments 1996-2004*

From the beginning of his term PM Simitis led the Europeanization campaign in a rigorous communicative discourse informing the public about possible consequences in case Greece did not fulfil the EMU criteria on time. Simitis regularly cited the prospective EMU participation as the main reason justifying the implementation of the restructuring of the public sector and the acceleration of the privatization programme. He was very effective in delivering his message to the general public and in explaining that failure of EMU participation would be damaging to the well-being of the national economy. The PM (Simitis:2005:169) noted that 'PASOK's new government simplified and expressed the dilemma that the country was facing at the time: do we wish to be part of the powerful global economic centres and have the capability to influence a wide area of policies and have a solid currency thus arming the national economy against international crises? Or do we believe that despite our shortcomings we will be capable, on our own, to control the international developments to our advantage? EMU is the means to put an end to the times

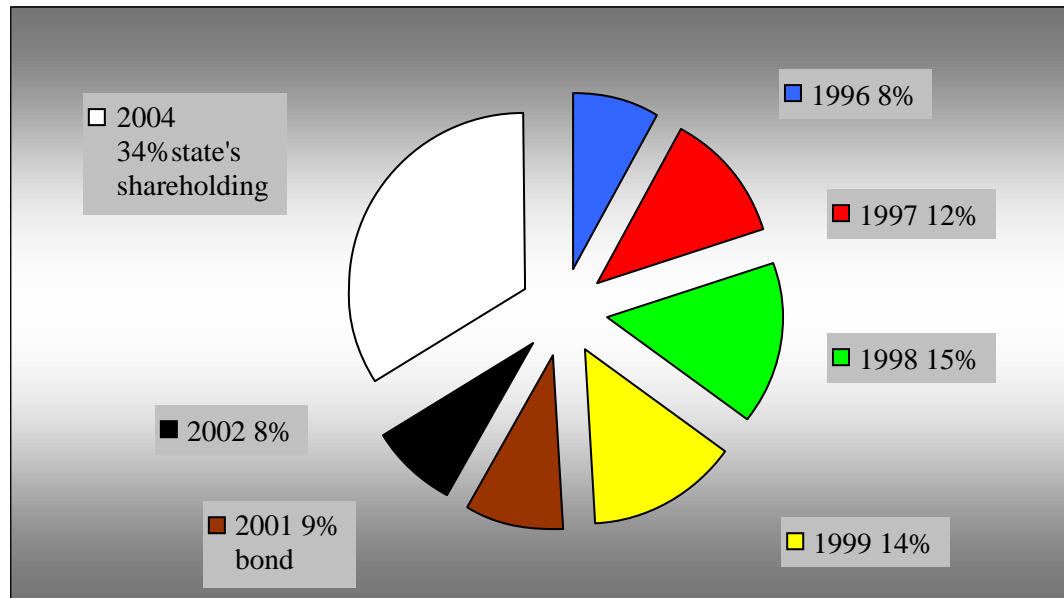
when Greece was a peripheral member of the Union. We should not allow our country to miss on any future opportunities’.

The PM directly associated privatization with the prospective EMU membership and did not stop repeating that the well-being of the national economy was dependent on the latter. This was verified by the fact that shortly after becoming PM, OTE’s flotation was identified by the government as the primary short-term objective. The Finance Minister, Papantoniou, stated in an interview to Kathimerini (24-03-96) ‘as soon as the new government started functioning we immediately made certain decisions. The flotation of OTE, which is doing well, is one of the most important’.

The key was the common understanding that both the general public and the government would benefit from the flotations. On the one hand, the former would invest in shares and gain financially, while on the other the latter needed to increase its revenues and draw the much needed additional resources. Eventually, this concurrence broadened across society and the idea of popular capitalism was spread to the people, which made the application of the OTE flotations acceptable. This is illustrated by the fact that the general demand during the pre-registration period in all five OTE flotations largely exceeded the number of shares issued. As a result, the Simitis government applied a series of flotations, which proved to be increasingly popular among Greek citizens, who endorsed the notion of popular capitalism. However, this agreement was not converted into a political consensus as all of the opposition

parties stood against the government in its privatization policy for party-politics reasons.

**Figure 2: OTE'S Privatizations (Flotations) During the Simitis Governments 1996-2004**



The government publicly supported EMU membership successfully in its communicative discourse and in turn performed pro-market reforms such as privatization. Simitis argued that they were the keys to EMU participation, which was acknowledged as the great national objective. Characteristically, the PM stated (Kathimerini:20-11-96) that ‘by all means we must succeed to be part of the core EU member states in the EMU. Only then will we be able to have an influential role in the decisions that will be affecting us. Therefore EMU membership is not only an economic issue, but mostly a political one. In fact the economic policy that we have decided to apply is part of an entire development plan which aims to restructure all of the public sector.’

In March 1998 the government performed a 13.8% devaluation of the drachma in order to make the national economy more competitive without generating large inflationary pressures. PM Simitis repeated constantly that such an approach was necessary because it was the only way to meet the EMU criteria. It is indicative that immediately after the PM returned from Brussels, following the devaluation, the speeding up of the privatization programme was formally announced. This was an attempt to boost the national economy on the way to EMU membership, as 12 additional SOEs entered the privatization agenda. On the same day the government held a number of meetings where it was agreed to float an additional 15% of OTE's shares within 1998. Simitis eloquently stressed (07-05-98) that 'our decision is the result of a realistic evaluation of what is taking place around us. The world is becoming more competitive and we must respond successfully and take advantage of these new conditions...we must understand that we are no longer a small country somewhere in the world, in the corner of Europe that can do whatever we think is better for us without taking into consideration what is happening around us. Whether we like it or not, we are part of a wider framework and we must play by the rules that apply to each one of the participants'.

The government expressively acknowledged the relationship between the privatization of SOEs and the effort to get on track for the Euro. The pivotal role of privatization in the attempt to meet the EMU criteria was repeatedly confirmed by the Finance Minister Papantoniou who stated from New York city on the day of OTE's third flotation (Kathimerini:10-10-98) that 'the Greek

government is applying a very ambitious macroeconomic programme and readjusting it within the EU framework in order to meet the EMU entrance criteria by 1999...the privatization of 12 companies and 4 banks between 1998-99 is a critical feature for the achievement of our economic objectives. Papantoniou repeated that the revenues from the privatizations for 1999 would be a record 3 trillion drachmas and stated (Kathimerini:05-05-99) that 'privatizations are the steam-engine of our economic goals, EMU membership, since they will help reduce interest rates and thus decrease inflation'.

During the eight year tenure of the Simitis governments, more than 66% of OTE was privatized through five public flotations and employee share ownership plans and the issuance of a four-year convertible bond. The Simitis government considered privatization to be a useful tool that would help improve specific economic figures, further develop the company and stabilize the national economy. Privatization was relatively the most practical method to increase public revenues and in turn decrease the debt and close budget deficits, which were both among the EMU criteria. In a report for 'The Privatization International Yearbook', Kyriazi (1998:145) noted that 'it is ironic that the largest sale to the public of a state owned utility should be achieved by a socialist government which had previously (admittedly under a different guise) vetoed any attempts by the conservative ND party to undertake the sale'.



#### *4.4. The Karamanlis governments 2004-2009*

Even before taking office in 2004 ND had expressed its intention in the party programme to attract a strategic ally for OTE because it firmly believed that it would help OTE further develop. In fact, when the government completed the strategic alliance with Deutsche Telekom (DT) in 2008 the PM Costas Karamanlis commented (ND:16.05.2008) that ‘the agreement for the strategic alliance with one of the largest and most reliable telecoms companies in Europe was a pre-electoral commitment. Our manifesto specifically stated that “part of the states’ stake of OTE will be transferred on proper time through a strategic alliance, in order to permit the company to function within the liberalized market”’.

However, such a prospective did not enter the actual government agenda and become one of its main priorities until 2008. Paradoxically, though the deal signed with DT was not the direct result of a privatization, but an acquisition of shares held by a third party, Marfin Investment Groups (MIG). In any case, during its tenure, the Karamanlis government completed three different OTE flotations and one ESOP. Prior to that (in 2004) the state increased its shareholding of OTE to 48% as the four-year convertible bond that had been issued by the previous government four years ago expired and the investors did not acquire the OTE shares.

The first privatization involved an ESOP as in 2004 the company initiated a programme of voluntary redundancies which would be financed through the

transfer of 4% of the company's shares to the employee fund of TAP-OTE. Following that, in September 2005 and June 2007 the government floated two tranches of OTE's shares of 10% and 10.7% respectively. These flotations did not attract much negative attention or criticism and did not need significant public justification as they were considered to enhance the well-established, by that time, concept of popular capitalism which was rather acceptable within society. However, it is important to note that the majority of the receipts were used for macroeconomic reasons in order to meet EU requirements.

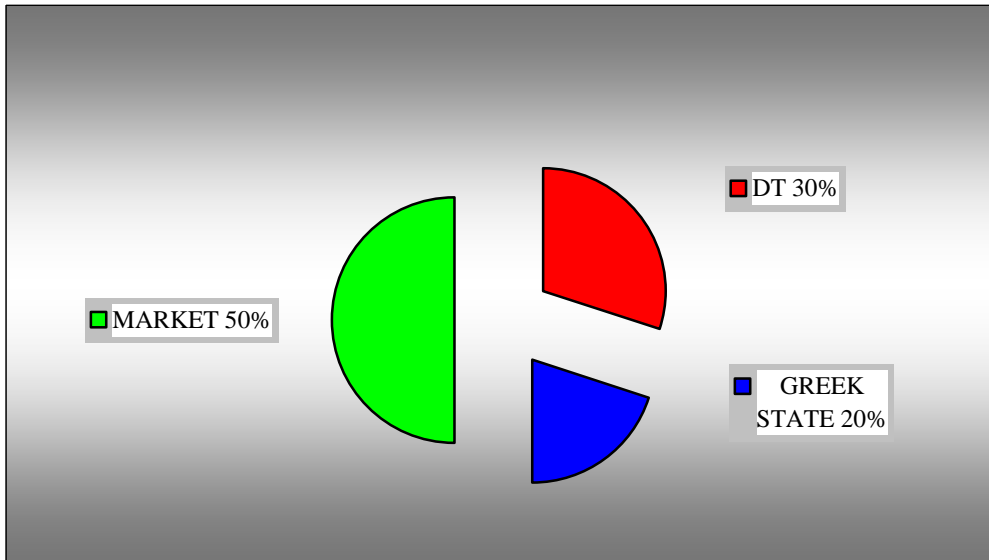
After the second floatation in 2007, an investment holding company, MIG started acquiring OTE shares methodically. Within six months MIG had purchased almost a 20% stake in the company through the market, therefore forcing the Greek government to adopt preemptive measures. First of all, in order to safeguard the state's majority in OTE's shareholdings the government passed a law in December 2007 which did not allow anybody else apart from the Greek state to hold more than 20% of a SOE unless there was a written acceptance by the Greek government. Secondly, as long as MIG remained the second largest shareholder in the company, the state was not able to proceed with any further privatization because of the threat of a hostile takeover. Hence, any plans to attract a strategic ally were initially suspended. In May 2008 the Greek government, MIG and DT reached an agreement which satisfied all three sides. The agreement signed with DT anticipated that the German telecoms company would purchase 20% of OTE's shares from MIG, 3% from the Greek state and it would have to acquire an additional 2% from the stock market.

Despite the fact that there was a significant change in OTE's shareholding the privatization involved only the 3% that the state would sell to DT. However, typical of Greek polarized politics, all of the opposition parties heavily criticized the government for its handlings. In any case, it was evident that the government had an ideological position regarding the entrance of a strategic ally in OTE and was ready to support it both in Parliament but more importantly in its communicative discourse.

When the government, MIG and DT signed the deal which established the latter's entrance in OTE's shareholding the reference to Europe was not absent therefore sending the message to the Greek citizens that the strategic alliance would help OTE become more competitive in the European market. PM Karamanlis (ND:16.05.2008) said that 'with regards to what is taking place in Europe, it is obvious that the opposition is either unaware of what is happening in Europe or it is pretending not to know. Therefore, I make it clear that most European countries have proceeded with the entire privatization of their telecoms providers such as in Spain, UK, Ireland, Netherlands and Portugal. Furthermore, two of our European partners (Sweden and Finland) have a common telecoms company.' Similarly, the Minister for Transport and Communication Hatzidakis stated that (Hatzidakis:14.05.2008) 'the government has completed today one of its central electoral promises. It has completed an important reform that passes a very important signal to Europe and the world about the prospects of the Greek telecommunications and the Greek economy. Today OTE enters the premier-league of European telecoms

as it turns OTE from a regional player to one with a more prominent role...Our government has followed the path of Europe and logic’.

**Figure 3: OTE'S Shareholding in 2010**



Finally, the last privatization was performed in June 2009, and under immense pressure the government was facing to maintain fiscal stability. As a result it sold an additional 5% to DT therefore reducing its overall percentage to 20%. The Finance Minister Papathanasiou, did not deny that the financial incentives in order to improve the macroeconomics were central in the decision to dispose of 5% of OTE and issued a written statement arguing that (Kathimerini:19.06.2009) ‘its about time we get serious in this country. Which Greek citizen would seriously oppose our right to activate this option, which will benefit the country with 674 million Euros without reducing the rights of the Greek government in OTE? Obviously this may be supported only by the opposition which is completely irresponsible and is dominated by an ultra-populist approach’. In this case the Greek government did not justify the

application of privatization according to the company needs but clearly spelled out that it did so because it would offer the so much needed cash.

Although the Karamanlis governments still referred to Europe as a reason legitimating the privatizations, the policy was not that divisive as it was in the previous years, since the state had already sold more than 66% of the company, through many different privatization schemes. Evidently, the unions and the general public had to a certain extent accepted the policy and there was no such need to appeal to Europe. As a result, the government did not need to use 'Europe' that extensively -in comparison with its predecessors- during the domestic discourse in order to justify the policy.

## **5. Conclusion**

Having examined the discourse of four consecutive Greek governments (Mitsotakis 1990-1993, Papandreou 1993-1996, Simitis 1996-2004 and Karamanlis 2004-2009), this study demonstrated that in Greece, the need to meet the EU set goals and the appeal to Europe was constantly utilized by successive governments in the domestic discourse as the main legitimating reason for the telecoms privatization programmes. All four governments, in one way or another, systematically linked their privatization plans to the achievement of the EU set objectives -mostly the fulfillment of the EMU criteria and the participation in the single market- believing that these would amplify their social justification. As Tsoukalis (2000: 42) comments 'EU policies and rules can sometimes serve as convenient scapegoat for unpopular

policies at home. Greek governments have frequently made use of the European scapegoat, whenever domestic support was short in supply. They have tried to capitalise on the generally high levels of public support for the EU at home’.

In addition, it is evident that the public discussion regarding privatization was not placed under a structured institutional frame, but was conducted mostly in an arbitrary and random fashion. It continuously revealed the confrontational style of the policy making process as the governments were not willing to make an effort to build an environment that would promote political and social consensus. They did not incorporate social groups into the policy-making process and they announced a series of privatizations without commencing an institutionalized collective dialogue. Hence, during an extensive and intensive communicative discourse they appealed on a regular basis directly to the general public and did not make an effort to coordinate their actions with the interest groups. Despite the ideological differences the governments had and their different approach to privatization, their common point was the justification of privatization in their communicative discourse in the name of ‘Europe’.

Moreover, it is worth noting that more recently, when commenting on the effects of the global financial recession and the EU-IMF bailout mechanism for Greece, Professor Ferguson of Harvard University stated (Newsweek:17.05.10) that ‘in desperation, the Greeks turned to their fellow Europeans for assistance.’

In this case, policy-makers in Greece did not only appeal to Europe during the domestic discourse to justify their proposed reforms within the country. They actually showed that when things get rough, they resort and anticipate that Europe will be there –either practically or theoretically- to redeem them. However, this is not necessarily a current development since one of the main reasons that the Greek governments of Konstantinos Karamanlis projected in the 1970s stating why the country should apply for EU membership had to do with the safeguarding of the democratic consolidation in the country, protecting it both from internal and external threats. Therefore the assumption that Europe will save Greece in difficult situations is not a recent phenomenon.

In conclusion, the institutional setting shapes discourse in some general ways, but does not prescribe it. In Greece, when the government's proposed reforms are likely to touch what the public sector or other well organized interest groups consider to be their 'vested rights', due to the polarized climate and the lack of a corporatist system, the latter unite and raise their voice against the reforms. As a result, consecutive governments have attempted to overpass this hurdle unilaterally, traditionally by appealing to the general public and by using 'Europe' as their ultimate argument that would increase the social justification and overcome domestic blockages of interests regarding their proposed privatizations. However, history has proven that the appeal to 'Europe' may be under circumstances a useful tool indeed, but is not sufficient on its own to gather the necessary social legitimation to successfully apply the policies at home.

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