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

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## TABLE OF CONTENTS

ABSTRACT _____	iii
1. Introduction _____	1
2. Theorizing the Timing and Type of Change _____	3
3. Dominant Administrative Paradigm in Greece _____	7
4. The International Economic Crisis as a Critical Juncture: Recipes for Change __	13
5. Public Administration Reform: Towards a Paradigm Shift? _____	17
6. What Went Wrong? Lessons Learned _____	23
7. Conclusions _____	27
References _____	30

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Stella Ladi<sup>#</sup>

## ABSTRACT

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Greece was the first European Monetary Union country to sign a Memorandum with the European Commission and the European Central Bank in order to secure financial assistance and prevent a total collapse of its economy following the severe international economic crisis. This Memorandum (2010), offered detailed steps of structural reforms that have affected all public services in Greece. The lack of major results and the stickiness of the 'Greek problem' have made Greece a unique case-study for evaluating both the recipe of the international donors and the domestic capacity for reform. A historical institutionalist approach and the concept of 'policy paradigm' are combined in order to evaluate what are the conditions for a major administrative reform in time of crisis. The article focuses on the specific attempt to reform public administration during the Papandreou government in order to analyse the importance of both time and type of change in the success of a major reform programme.

Keywords: Policy change, historical institutionalism, paradigm shift, Eurozone crisis, Greece

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

## **1. Introduction**

The economic crisis that spread across Europe in 2009 has produced a wave of public policy reforms in most European countries. A combination of factors initially made Southern Europe, Ireland and especially Greece more vulnerable to speculative attacks and thus more affected by the crisis. Greece was the first country to seek financial assistance from the European Union (EU) and as a result in March 2010 the leaders of the Eurozone created a financial aid mechanism which involved the participation of the International Monetary Fund (IMF) and of the Euro countries through bilateral agreements. The European Commission and the European Central Bank (ECB) were made responsible for overseeing the implementation of the agreement and a Memorandum of economic and financial policies was signed in May 2010. The Memorandum, as well as the subsequent agreements of July 21<sup>st</sup> and October 26<sup>th</sup>, clearly required public services reforms. Public administration is still outlined as a key obstacle to recovery and further measures are proposed (OECD, 2011). A number of reforms were initiated by the Papandreou government, most of them aiming at cost-cutting and some of them aiming at more substantial changes. This article constitutes a first attempt to evaluate the recipe as well as the impact of these reforms.

This particular moment in time apart from its political significance for the EU and for its member states, it also constitutes a unique opportunity for evaluating well-known public policy theoretical tools and for elaborating them. Historical institutionalism (HI) claims that public policy and administration reforms are more likely to take place at 'critical junctures' (Pierson, 2000). Adopting this reasoning, this article argues that indeed change is more likely to occur in Greece, but also in other countries, during the current economic crisis - which can be described as a 'critical juncture'. The dominant governance paradigms across Europe, reliant on high public debts, have been called into question, and reforms are being proposed and adopted at a very fast pace. Nevertheless, it is argued here, that the timing of the reform affects the type of change that take place. In order to elaborate on the type of the reforms introduced during the current crisis, Hall's (1993) distinction between incremental first and second order change and paradigm shift is combined with the concept of critical juncture. A better understanding of *time* and a deeper analysis of *change* is exactly the theoretical aim of this article.

The article is organized into four sections. In the first section the theoretical argument and research design of the paper is developed and two theoretical propositions are put forward. The second section outlines Greece's dominant administrative paradigm and its key problems and failures in order to evaluate whether change is currently taking place. The third section moves to a description of the exogenous pressures and of the recipe for change offered by the lenders. The fourth section discusses the current public administration reform process and argues that up to now it mainly consists of first and second

order change. The article concludes by returning to the propositions of the first section and drawing some more general conclusions about public administration reform during periods of crisis.

## **2. Theorizing the Timing and Type of Change**

Historical institutionalism (HI), more than the other neo-institutionalisms (sociological and rational choice institutionalisms), offers a framework useful for understanding the timing of inertia but also the timing of change (Hay and Wincott, 1998). Its advantage is that it brings politics into the equation in a dynamic way (Thelen, 1999, p. 384). In this instance, this means that although economics seem to lead developments in EU member-states, HI helps us focus on politics in order to better understand why change is promoted in some issues while inertia persists in other types of policy problems. HI acknowledges the importance of time, timing and tempo and offers a set of concepts such as 'path dependence', 'critical junctures' and 'increasing returns' in order to understand the temporal dimension of change. Levi (1997, p. 28) explains that when a country starts following one path the cost of changing paths becomes very high and that is why path dependence occurs. The path dependence concept has developed even further through the idea of increasing returns which describes the cost of changing paths, the importance of the timing of change and the sequence of paths. According to increasing returns, the cost of remaining in the same path is usually significantly lower than the cost of changing paths (e.g. Pierson, 2004). Up to now, and as discussed in more detail in the next section, Greece's recent administrative history

seems perfectly to fit the idea of a country that has fallen into path dependence and where increasing returns have not been facilitating change. It is argued that the current economic crisis has changed the increasing returns in relation to administrative change and the country is in search of a new equilibrium. This is a typical example of a critical juncture.

Critical junctures refer to those historical moments, such as the current economic crisis, that have a lasting impact upon countries. They can be small or bigger events, provided that the timing is right and that their effect is lasting (Pierson, 2000). Pierson (2000) notes that institutions 'lock in' and they are often considered to be the best possible choice. In a way, institutions limit the agents' perspective about alternatives and as a result the status quo is reinforced. The first aim of this article is to elaborate the concept of critical juncture, by using the example of Greece during the current economic crisis. For a critical juncture to lead to change, three parameters are expected to play an important role: exogenous forces, endogenous circumstances or the result of a particular group or individual coming to power (Bulmer and Burch, 1998). Nevertheless, although it can be argued that a historical moment such as the current economic crisis is a critical juncture, it is more difficult to establish causality between the critical juncture and change at the domestic level (for example in Greece). In order, to proceed, an in depth understanding of change is necessary.

Hall's (1993) work proves to be particularly useful here because his sociological institutionalist (SI) approach adds some clarity to the concept. He distinguishes between simple change and radical

transformation. He claims that three distinct types of policy change exist: a) first order change which refers to instrument settings change while overall goals and policy instruments remain the same; b) second order change when both policy instruments and their settings change but policy goals remain the same and c) third order change (or policy paradigm change) which occurs rarely but when it happens is radical and involves a change of the “framework of ideas and standards that specifies not only the goals of policy and the kind of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing” (Hall, 1993, p. 279). First and second order change are incremental while paradigm shift, as Hall (1993) argues, does not necessarily follow first and second order change and it is not incremental in nature. In this article, it is argued that we need to combine the discussion about critical junctures that shed light on the timing of change with Hall’s deeper understanding of the concept of change in order to explore when a country is more likely to shift paradigms. Our focus is administrative *change* in Greece in the *time* of the economic crisis.

The conditions of a paradigmatic shift that Hall (1993) describes are a good starting point in our discussion of the Greek case. Hall claims that: first, the change from one paradigm to another is not just the result of a shift in the views of experts but a much more political action. In other words, it is not only about ideas but also about interests. Experts have conflicting views and some of them will contribute to the discourse behind the change but the process itself is political and involves internal and external factors that empower one new direction over another. Following the historical institutionalist discussion, we could add here,

that the particular timing affects the direction and the depth of change. Second, the authority over policy is of particular importance. During a paradigmatic shift, there will be changes “in the locus of authority over policy” which means that the ownership of the policy will change (Hall, 1993, p. 280). It is argued here that the ownership of the policy should be combined with a strong and persuasive new authority, in order for the paradigm shift to take place. Third, policy experimentation and policy failure are central in the movement from one paradigm to another. Policy experimentation is different to what is described as first and second-order change and refers to convulsive and random change which governments prefer in order to avoid the costs of full reform. It is a common process to introduce reforms aiming to adjust the previous paradigm to a new situation. This type of change is similar to Thelen’s (2003) institutional layering. Such adjustments often lack intellectual and policy coherence and the result is policy failure. Policy failure and policy experimentation can feed into the process of paradigm shift (Hall, 1993).

In summary, it is proposed that:

- In order to understand administrative reform two parameters should be analysed and combined: the time and the type of change.
- For a policy paradigm shift to take place, a critical juncture is a necessary but not a sufficient condition. Policy experimentation and policy failure are equally likely.

In the next sections, the two propositions are further discussed in light of the Greek case. The empirical material presented in the article is the outcome of extensive fieldwork (collection of documents and elite interviews) that took place in Athens between April and November 2011. The timing of the fieldwork has been interesting because it occurred one year after the agreement of the first Memorandum, in the midst of what was described as ‘reform fatigue’ and with the international pressure for reforms escalating. Comparisons with other EMU member-states that are in a similar situation are offered when necessary, although this article is primarily an in-depth discussion of the latest public administration reform in Greece and of the theoretical and empirical lessons that we can draw from it. We now turn to the description of the dominant governance paradigm in Greece in order to evaluate whether the reform that is currently taking place could be described as an administrative paradigm shift or whether the changes observed are incremental.

### **3. Dominant Administrative Paradigm in Greece**

In accordance with the key doctrines of HI, in order to understand change at a particular moment in time we have to discuss what existed before. In order to evaluate whether paradigm shift is taking place we need to explore how problems and their solutions were perceived before the crisis. In this section it is shown that, the ‘dominant’ governance paradigm in Greece is best described as a quasi-Weberian hierarchical bureaucracy. Following Howlett and Ramesh’s (1998) distinction between ‘dominant’ and ‘hegemonic’ paradigm, it is argued

that hierarchy in Greece is a dominant and not a hegemonic paradigm. A paradigm is described as hegemonic when only one, unchallenged model exists which is supported by a closed policy community. In Greece, challenges to hierarchy, both towards more liberal and more social directions, have been present for a long time, supported by different networks, and that is why the term 'dominant paradigm' is more accurate. Sabatier and Jenkins-Smith (1993) argue that which network predominates over the others, and thus which paradigm becomes dominant, largely depends on external factors.

Greece, according to Ongaro (2009), can be categorized together with France, Italy, Portugal and Spain, as a Napoleonic state, at least as far as the common roots of their public administrations is concerned. They all derive from France. Of course, as Ongaro (2009) explains, the changes seen in all five countries over the years have been many and substantial. The current governance model in Greece was established in the 1970s in light of Greece's transition to democracy but also in light of the economic stringency of the period. This transition can be described as a first critical juncture for the Greek public administration. The conservative party of New Democracy (ND) under the leadership of Konstantinos Karamanlis held power until 1981. It is argued that this year, was a second critical juncture because Greece became a full member of the European Community (EC). In 1981, the Panhellenic Socialist Movement (PASOK) took office, with Andreas Papandreou initially as the Prime Minister and with Costas Simitis as the Prime Minister since 1996. Greece's entry in the EMU in 2001 is the third critical juncture in its modern administrative history.

The first two critical junctures outlined above were signified by important attempts to change the administrative model in Greece. In the first period, from 1974 until 1981, the main problems that the state perceived as priorities were the consolidation of democracy and the international position of the country. Thus, the democratic institutions of the country were reinforced via legislative and administrative measures and effort was put into preparing the country for entering the European Community (EC). More specifically, the Karamanlis government strengthened the executive and emphasized the importance of having a distinct public administration. The public sector grew via the nationalization of enterprises facing financial problems (e.g. Emporiki Bank) and the establishment of new public organizations (e.g. Ministry of Town Planning and Environment), (Sotiropoulos, 2007, pp. 109-11). The administrative changes that took place in this period can be described as third order changes, following Hall's classification.

From 1981 onwards, when Andreas Papandreou took office, the main concern was the growth of GDP, the reduction of unemployment rates and the strengthening of the lower social classes. As a result new welfare institutions were created and the public sector grew even larger. Some efforts were made towards the training of public servants and decentralization. Pagoulatos (2003), notes that in the 1980's the state model in place is best described as developmental. Again, during this critical juncture for reasons related to the socialist ideology of PASOK as well as a result of Greece's adaptation to the *aquis communautaire* and the EC's cohesion policy and related funding, the administrative changes that took place are best described as paradigmatic.

Nevertheless, PASOK as well as the ND government, that took office in 1989, were caught between changes for the professionalization of public administration and the use of the state for electoral reasons. Some signs of public administration modernization can be traced after 1993 when the Simitis government (PASOK), in its efforts to join the EMU, introduced Independent Authorities such as the Supreme Council for Civil Personnel Selection (ASEP) in 1994 and the Greek Ombudsman in 1997 (Sotiropoulos, 2007, pp. 134-45). Pagoulatos (2003) describes this period as the beginning of the stabilization model. Although, the entry of Greece in the EMU in 2001 can be characterized as a third critical juncture, the administrative changes that followed were only incremental. Although the entry in the EMU was a very important shift towards the liberalization of the economy, it cannot be claimed that the way public policy problems and their solutions were perceived, had radically changed. Quite the opposite, the state continued growing and with it the public debt also increased.

Greek public administration has remained hierarchical and centralized through the years as far as its institutions and control mechanisms are concerned. It has been characterized by a low degree of legitimacy and the administrative system has been dominated by the party in government which meant that continuity in governance could not be guaranteed (Spanou, 1998). Two of the most common accusations against public administration in Greece have been lack of effectiveness and widespread corruption. Especially corruption at the lowest level of the administration is considered to be particularly high (Interviews 1 to 5). Patronage, which is caused by the dominance of the party in rule, has possibly been the most important reason for the failure of Greek

public administration. It has been undermining the technical and personnel capacity of public administration by violating the values of meritocracy in the selection and development of personnel but also in public procurement. In a way, patronage in many instances has been the main cause of corruption and of ineffectiveness.

Another aspect of the dominant paradigm in Greece has been legalism and formalism which is not followed by controls and sanctions of law-breakers. Quite the opposite, respect for formal rule has been fragmented and informal practices have habitually violated or ignored formal rules (Spanou, 1996). The large number of often conflicting regulations has frequently been the result of client-patron relations and of attempts to offer benefits to specific social groups in order to secure re-election (Sotiropoulos, 2007). Similarly to the Italian case, the existence of a strong policy community of constitutional and public law experts has further strengthened legalism (Capano, 2003). These experts by acting as consultants for all governments in the last 30 years but also serving as ministers or in other high-rank positions in the administration have by and large been the intellectual elite behind the dominant paradigm.

The current economic crisis that Greece is facing has proven that the cost of state inefficiencies can be very high for the government. Two characteristics of the state-economy relationship have been blamed above all for the weakness of the Greek economy. Firstly, tax evasion by individuals - but even more importantly by businesses – has been common. Irregular payments by businesses during tax collection have been widespread and as a result significant amounts never entered the

treasury. Secondly, state spending on social protection has been high while the results have been open to question. Public expenditure on social provision has increased over the years but its coverage has been skewed. Spending on family and unemployment benefits has been low, while the cost of pensions has been high (Featherstone and Papadimitriou, 2008, pp. 57-60).

The policy legacy of public administration and the path that has been followed up to now means that the institutions and practices described have locked-in and that reform initiatives have been very difficult to implement. Greece has been described as *'une société bloqué'* (Featherstone, 2005). Processes of Europeanization could have facilitated the emergence of a new administrative paradigm but the results have been rather poor. The literature on Europeanization and Greece shows that there is a tendency to convergence, but there are still a large number of cases of inertia (Ladi, 2011). Inertia has been observed in policy areas such as pension reform (Featherstone, 2003), administrative reform (Spanou, 2001) and environmental policy change (Ladi, 2007). Examples of all kinds of domestic mediating factors mainly obstructing the Europeanization of Greek policies can be found in the literature. The most usual factors are political institutional capacity, policy legacies and policy preferences. Instances of resilience to change can be found in all sectors and normally all three mediating factors seem to be present. For example, the EU cohesion policy had to confront a centralised government, lack of coordination, strong political parties and a lack of political will for change. The result has been that although some institutional changes have been introduced, the regions remained weak and the absorption of structural funds was limited

(Paraskevopoulos, 2001; Andreou, 2006). Change can only be observed in policy objectives, styles and practices which are best classified as first and second order change.

#### **4. The International Economic Crisis as a Critical Juncture: Recipes for Change**

In this section the current international economic and political situation is described as a critical juncture for Greece. There are two dimensions in the Greek governmental discourse concerning the necessity of the reforms: the global and the European. More specifically, during the Papandreou government, the global dimension and specifically the reaction of the global financial markets was and is still perceived as the tip of the iceberg that almost caused the collapse of the Greek economy. The economic crisis was presented as the absolute push for reform. The European dimension was presented as the solution to the problem via the first Memorandum of economic and financial policies that was agreed between the Greek government, the European Commission and the ECB (e.g. Interview 1). In the rest of the section, it is shown that the international economic crisis is a critical juncture for Greece and that the changes that have been taking place will have a lasting effect upon the country. The focus here is on the exogenous pressure and on the recipe for change.

The financial crisis of 2007-8 has given credence to the supporters of the globalization thesis and of its impact upon states (e.g. Cerny, 2010). The first wave of the crisis which was caused by the collapse of the American investment Bank Lehman Brothers, was followed by a second wave, that

of governments' budget deficits and of their ability to repay them. A number of reasons, including the Greek prime minister's admission of the Greek public deficit being much higher than previously calculated (from 3.6% of GDP it was revised to 12.8% and in 2010 it was further increased to 13.6%), turned speculators against Greece. Soon, Ireland and Portugal followed and in November of 2011 the pressure on Italy, Spain and Belgium seriously intensified. The Eurozone found itself in the most difficult situation since its creation. The severity of the Greek economic crisis became apparent at the end of 2009 when financial ratings agencies downgraded their credit rating for Greece, and the government realized that it was unable to serve its massive debts. This situation meant that at the beginning of 2010 the dominant governance paradigm of Greece was no longer only the concern of the Greek government. The financial markets and the members of the Eurozone started keeping a close eye on what was happening in Greece.

Greece was the first country to seek financial assistance from the EU in February of 2010. European leaders promised to take determined and coordinated action to prevent the possibility of Greek default and to guarantee the stability of the Eurozone. As a result, in March 2010, a financial aid mechanism, which involved the participation of the IMF and of the Euro countries through bilateral agreements, was created. The European Commission and the ECB were made responsible for overseeing the implementation of the agreement, and a Memorandum of economic and financial policies, as well as a Memorandum of Understanding on specific economic policy conditionality were signed in May 2010. The Memoranda clearly specified public services reforms. The most coercive phase of Greece's Europeanization since its entry into

the EU in 1981 had just started. This is what Featherstone (2011) described as 'Über Europeanization'. Similar Memoranda were signed with Ireland in December 2010 and with Portugal in May 2011. The Irish Memorandum hardly mentions public administration reforms while the Portuguese Memorandum is much less intrusive in the public administration reforms prescribed. The agreement of the 26<sup>th</sup> of October 2011 between Greece and its lenders for a 'haircut' led to a second Memorandum voted by the Greek Parliament in February of 2012. This article focuses only on the 1<sup>st</sup> Memorandum and on the reforms that were initiated by the Papandreou government in order to keep some distance from the object of analysis and to better evaluate this first period of reform.

The Greek Memorandum of Economic and Financial Policies (2010) outlines three areas of reform: fiscal policies, financial sector policies and structural policies. What is of interest for the purpose of this article is the reform of structural policies, which includes public services and has been proven to be the stickiest area of reform. A brief discussion of the fiscal and financial sector policies is provided in order to demonstrate the universality of the reform process and the possibility of unintended consequences because of multiple and simultaneous reforms. As far as fiscal policies are concerned, the initial agreement was that the general government deficit would be reduced below 3% of GDP by 2014. At the same time, expenditure should have been cut by 7% of GDP and revenue should have been increased by 4% of GDP. In order to achieve these targets major structural fiscal reforms including pension reform, health sector reform, tax reform, public financial management, fiscal framework and debt management framework

modernization were demanded and initiated. All in all though, these targets proved to be unrealistic and the second Memorandum has set new ones. Concerning the financial sector policies, the challenge noted by the first Memorandum was the management by the Banks of the tight liquidity conditions and thus the primary concern was to preserve the financial sector's soundness and its capacity to support the Greek economy. After the 'haircut' decided in October 2011, this has become any even more demanding task. The structural policies, which was the third category of reforms agreed, directly targeted the dominant administrative paradigm and included plans for the modernization of public administration, the restructuring of labor markets and income policies, the improvement of the business environment and of competitiveness, the rationalization of public enterprises and the improvement of the absorption of EU structural and cohesion funds.

The Greek economy was the first Eurozone economy that found itself under international control by its donors, who are European but also international. Interestingly, the conditions under which Greece agreed to get its loans involved clear measures for radical structural reform which would have lasting impact upon its administrative system. It can be claimed thus that this particular historical moment is a critical juncture for Greece and that the exogenous pressure is high. In the next section, the administrative reforms initiated by the Papandreou government, as a result of the Memorandum, are discussed in order to evaluate the type of change that has taken place at this particular moment in time. It is argued that the nature of the recipe suggested by the lenders was mainly cost-cutting and structural.

## **5. Public Administration Reform: Towards a Paradigm Shift?**

The Papandreou government's attempt to initiate public administration reform in response to the first Memorandum is a very interesting case for showing that radical change does not always take place at critical junctures. In this section, it is explored whether this particular critical juncture has been a sufficient condition for paradigm change. In order to do that the public administration changes outlined in the Memorandum (2010) and initiated by the Papandreou government (2009-2011) are discussed, evaluated and classified as first, second or third order changes. It is argued that an important part of the reforms are only cost-cutting which means that they can just be classified as incremental change.

The Memorandum (2010, pp. 78-9) clearly sets the public administration reforms and their time frame as conditions for the payment of the loan that has been agreed. In the rest of this section, the reforms initiated by the Papandreou government are presented and their level of implementation up to November of 2011, when the government fell, is evaluated:

- 1) Public sector employment changes: the aim was to adopt a unified remuneration system that would cover basic wages and allowances of all public sector employees. Additionally, it was agreed that remuneration should reflect productivity and tasks. In order to achieve that, as requested, a Single Payment Authority was established and the payment of all civil servants' salaries was expected to be centralized (Law Gazette no. 784, 4/6/10). Full implementation of the unified remuneration system was initially

planned for September of 2011, but the relevant law was published at the end of October 2011 (Law Gazette no. 226, 27/10/11). The actual implementation of the law started in January of 2012, with the gradual application of the new legislation to different categories of public sector employees. What is even more telling is that not much happened in making wages reflect productivity and tasks, although the time frame was for September of 2010. As far as the quality of public services is concerned, such an action would be much more important. Such a reform would signify a move towards private sector practices which would be a radical change and not just a spending-cut (or first order) change.

An additional reform announced, was that the Supreme Council for Civil Personnel Selection (ASEP) was from now on going to be responsible not only for all public sector recruitment but also for the promotion of public servants (Interview 2). The Explanatory Report (2011) of the Intermediate Framework of the Public Finance Strategy 2012-15 announced a new human resources management system that would allow for the use of personnel according to their knowledge and capabilities. This new system would facilitate personnel mobility between different public sector organizations. Not such legislation has been adopted yet and in reality what we see is a freeze of promotions in order not to increase salary-related costs.

Another change announced by the Papandreou government was that the public sector employees' penalty legislation would become stricter in order to achieve better accountability. As a result it was

expected that the role of the trade unions would be minimized. No legislation was introduced by the end of the Papandreou government. A draft law was finally sent to Parliament in January of 2012.

In summary, it can be argued that the key goal was to keep recruitment in the public sector very low (1 recruit for every 5 retirements, while for 2011 it was 1 recruit for every 10 retirements) and to cut spending (a minimum 30% cut was applied to public servants salaries) (Memorandum, 2010). Given that the dismissal of public servants is legally and politically very difficult in Greece, the labor reserve idea was adopted for 30.000 public servants in November of 2011 in order to reduce spending even further. All these changes are mainly cost-cutting and they cannot be described as paradigmatic. Nevertheless, if the fact that employment at the public sector is no longer conceived as safe and economically advantageous is further strengthened, it can indeed lead to paradigmatic change in the future. Thus, such a claim cannot be made about the public employment reforms introduced by the Papandreou government.

- 2) Public procurement: e-procurement for all sectors and levels of government was initially planned for the end of 2010, but in July 2011 the contract for the provision of the electronic platform had still not been signed (European Commission, 2011b). The consultation for the establishment of an independent authority overseeing public procurement was finalized in February of 2011 (<http://www.opengov.gr/ypoian/>). The draft law was sent to

Parliament in February 2011 and was voted in August of 2011 (Law Gazette no.204/A, 15/9/11).

The reform in the field of public procurement aims to improve the transparency and accountability of the contracts between the public and the private sectors. Although the result is not expected to be a third-order change it could be characterized as second-order change because it could reinforce a more just evaluation of public competitions and thus improve the quality of public services. It is clear though that the Papandreou government did not manage to finalise this reform.

- 3) Transparency of public spending: the government early on agreed to ensure transparency of public spending by publishing online all public spending decisions. Indeed, via the 'Cl@rity' programme all public entities' decisions should be published online and they cannot be implemented unless they are uploaded on the Clarity website (<http://diavgeia.gov.gr/en>). Progress in this field was acknowledged by the Interim report (EC, 2010). It is interesting that the government moved one step forward from what was prescribed in the Memorandum and made compulsory the online publication of all decisions - not only the ones concerned with public spending.

Cl@rity is seen as a reform that has been completed successfully although it cannot be characterized as radical (e.g. Interview 2). It is interesting to note that its main aim is to enhance transparency by using new electronic means. It can be classified as second-order change because the policy instruments have changed but not the goals.

- 4) Local administration reform: the requirement was to adopt legislation reforming local government by June of 2010. In fact, as of 1<sup>st</sup> of January 2011 a law, incorporating prefectures into regions and thus reducing their number from 76 to 13 and at the same time reducing municipalities from 1034 to 325 and municipal enterprises from 6000 to 1500 started being implemented. The reform has been named 'Kallikratis'. It is expected to lead to 0.5% of GDP budgetary savings by the end of 2015 as well as more efficient provision of public services (<http://kallikratis.ypes.gr/>). Nevertheless, the challenge ahead is huge until the transfer of responsibilities and resources is completed. (Interview 2).

'Kallikratis' is one of the reforms that has been implemented at a fast pace and its key aims are to minimize cost but also to improve the results of the services provided by local government. It is a second order change because although it does not change the goals of local administration, it reshuffles the responsibilities between local governments and regions.

- 5) Review of central government: the agreement via the Memorandum (2010) was to perform an independent review of the organization and functioning of the central administration in order to adopt measures for the rationalization of the use of resources, the organization of public administration and the effectiveness of social programmes. It was soon decided to produce two separate reviews: one for central government (overseen by the Ministry of the Interior) and one for the social programmes (overseen by the Ministry of Labor). After continuous delays (EC 2011a), only the review of

central administration was published by the OECD in November of 2011 (OECD, 2011). Soon after the fall of the Papandreou government, in January of 2012, a lot of the suggestions made by the OECD were incorporated in a White Paper on Governance.

It is important to note that the both the OECD review and the White Paper just make proposals about the changes that should happen. Suggestions not very different or original from what has already been discussed for a long time about the necessity of public administration reform (i.e. Spanou, 2008). The fact remains that no significant change can be observed, during the Papandreou government, in central government which is one of the most problematic areas of Greek public administration.

- 6) Better Regulation: the aim is to implement the Better Regulation Agenda and to ensure the reduction of administrative burdens on citizens and enterprises. After more than one year delay a better regulation law was given for consultation in August of 2011 but its vote was not completed during the Papandreou government. The law was finally voted in February of 2012 (Law Gazette no.34/A, 23/2/12). It introduced the Regulatory Impact Analysis (RIA) and it is in line with the OECD Better Regulation Agenda. During the Papandreou government no change was observed. Nevertheless, the new law can be described as second-order change because it does introduce new policy instruments for the improvement of regulation.

Apart from the Memorandum reforms, a framework law for electronic governance was voted (Law Gazette no.138, 16/6/11) and in the

Explanatory Report (2011) of the Intermediate Programme the completion of the modernized communication system between public organizations was announced. It was also planned to transform Citizens' Service Centers into Unified Service Centers for both citizens and enterprises and to create an Innovation and Documentation Center within the National Centre for Public Administration and Local Government (Explanatory Report, 2011). International trends such as decentralization, e-governance, more flexible human resource management and above all a campaign to reduce costs are evident in the reform programme of the Papandreou government. If we add to that the pension reform, the health care reform, the plan to reduce school numbers and universities as well as the public enterprises privatization plans and the 'recovery plan' for the railway sector and for public transport, it becomes apparent that a major reform with unintended consequences is currently under way. Nevertheless, paradigm shift has not taken place yet. The public administration reforms discussed in this section are either cut-spending or incremental (first and second-order change). Let's now turn back to our theoretical propositions.

## **6. What Went Wrong? Lessons Learned**

The discussion of the impact of the economic crisis upon public administration reform in the Greek case gives us the opportunity to venture on a more theoretical discussion by taking into consideration the two propositions outlined in the first section of the article. Such a discussion can be enlightening for the understanding of the direction

and the success rate of public administration reforms in other Eurozone countries under the current wave of austerity measures, triggered by the public debt crisis.

In the first section it was argued that in order to understand administrative reform two parameters should be analysed and combined: the time and the type of change. Indeed, the case of Greece shows that the exact time of the reform can either facilitate or delay the intended change. The discussion of critical junctures sheds light on the moments in time when change is more possible to occur. Nevertheless, it is significant to note that even if the timing is right, the consolidation of radical change takes time (i.e. Pierson, 2004). This means that it is very unlikely to observe radical change in the time space of one or two years. Furthermore, it is important to evaluate the direction towards which the external pressure for change is aimed at. This takes us to the second dimension which is the analysis of the type of change that takes place. As it is evident from the discussion of the administrative reforms initiated by the Papandreou government, it is more possible to observe governments pushing forward incremental or cost-cutting changes rather than radical change, even when the time is right. In the case of Greece, cost-cutting and not structural was the main aim of the reform, in order to quickly comply with the international loans economic targets. The second proposition outlined in this article attempts to combine these two key dimensions for the understanding of change.

It is argued, that for a policy paradigm shift to take place, a critical juncture is a necessary but not a sufficient condition. Policy experimentation and policy failure are equally likely and they can feed

into a paradigm shift at a later time. Our focus here is at the administrative level and the possibility of a paradigm shift. It can be argued that of the previous Greek administrative reforms discussed, only two involved a radical change in the understanding of policy problems and their solutions that contributed to a paradigm shift. The first started in 1974, when the consolidation of democracy and the strengthening of the country's international position was the lens through which the problems were viewed. Indeed, we can talk about an administrative paradigm shift at this period when new institutions and rules were established and the key institutions of the Greek modern state were consolidated. Joining the EC in 1981 was a second critical juncture for Greece and a paradigm shift can be observed once more. The new government that came to power in 1981 also changed the perspective by focusing on social justice and GDP growth and reinforced radical administrative changes (e.g. creation of a National Health System) which signified the establishment of a welfare state in Greece.

On the other hand, the significant but not radical administrative changes (e.g. creation of administrative authorities) that took place after 1993 in light of the EMU participation were incremental and there was no real change in the perspective through which the problems were seen. Joining the EMU was a critical juncture but no paradigm shift can be observed. The fact that joining the EMU did not lead to a paradigm shift, means that the exogenous pressures for change were not strong enough, that the endogenous circumstances did not favor radical change and that no specific opportunity for action was created (see for example Featherstone, 2003). Although, it is still early days to judge whether the critical juncture of the current economic crisis will lead to an

administrative paradigm shift for Greece, an initial evaluation of the administrative reforms pursued by the Papandreou government is possible. Two key observations can be made: First, the exogenous pressure from the markets and from the first Memorandum, were strongly pointing to radical administrative reforms, with a primary aim to reduce public sector cost. Second, there was a shift at the governmental level in the way the problem was being addressed. The focus now was on reducing public debt in order to keep one's position at the European table and to sustain the possibility of decent living standards for the majority of the population. This means that the necessary conditions for policy paradigm shift were present. Nevertheless, these conditions did not prove to be sufficient, at least during the Papandreou government. The delays in most of the administrative reforms and the incremental nature of the few reforms that were implemented, signifies policy experimentation in order to avoid harsh governmental decisions and conflict with the organized interests. The result in some cases was policy failure and in other cases was inertia.

If we take this finding further, in line with Hall's (1993) argument, it can be claimed that although exogenous and endogenous events are important parameters of a critical juncture, the most important condition for a paradigm shift to be concluded is a coherent, strong and persuasive domestic political authority steering the reforms. As far as the Greek case is concerned, a new socialist government was elected in autumn of 2009 and it is this government that was managing the reform process up to November of 2011. Giorgos Papandreou brought with him his own national consultants and organized a small group of international experts to help him with the reform process (Kovaios,

2010). However, this group of national and international experts was neither powerful nor fresh and thus it is difficult to claim that it was very persuasive. The policy coherence of the reform was even more difficult to establish. In fact, the government was in the difficult position of having socialist values and roots and at the same time pushing for huge public spending cuts. The government came into power with a discourse about green development and open governance (PASOK 2009) and it has found itself in a situation of limited resources and an agenda with different priorities dictated by its international donors. In November of 2011, the Papandreou government was replaced by a government of national unity after domestic and European pressure. The new Prime Minister L. Papadimos, who is a technocrat and not a politician, has been assigned with the limited duty to complete the negotiations for the 'haircut' of the Greek public debt and to pursue the necessary reforms for the next loan agreement between the Greek government and its lenders. Towards this direction a second Memorandum was voted by the Greek parliament in February of 2012.

## **7. Conclusions**

The financial crisis that started in the US in 2007-8 quickly spread across the world; it mutated according to the weaknesses of each country, but definitely had one common characteristic across the globe. It has caused a debate about public spending cuts, efficiency of the state and rationalization of public services. Greece is one of the most interesting cases because although it is a member of the EMU, and possibly because of that, it has found itself in the middle of the European crisis. Its

economy came near to collapse and it has still not recovered and a loan from the IMF and from EMU members was the only realistic solution. The loan came with Memoranda overseen by the EC and the ECB which clearly stipulated public services reforms. In this article it was argued that Greece is still not moving towards an administrative paradigm shift and what we observe is mainly policy experimentation and cost-cutting changes.

The data available up to now allows us to come to some initial but interesting empirical and theoretical conclusions. As far as Greece is concerned first, it can be claimed that the reforms that have been adopted or planned in the last year are indeed addressing some of the main flaws of the dominant paradigm such as lack of effectiveness, corruption and tax evasion. Nevertheless, the pace of the reforms is slow, delays are observed and an implementation gap can be noticed. Second, the importance of the exogenous factors in the reform process allows us to argue that this is the most coercive phase of Greece's Europeanization since its entry in the EC. It would be interesting to conduct more research into this issue because it is expected to produce interesting material not only for Greece but also for the literature on Europeanization. Third, the key reasons that could halt the paradigm shift process are: unintended consequences because of the large number of simultaneous reforms taking place, extensive policy failure and policy experimentation, and most significantly domestic political authority, if it proves to be less powerful than necessary.

Critical junctures and paradigm shift have proved to be useful concepts for the discussion of the Greek public administration reform in light of

the current economic crisis. At the same time, the Greek case has allowed us to gain a fresh view of these concepts and to combine them in an interesting way. Linking paradigm shifts with critical junctures and focusing both on the time but also on the type of change, has proved to be fruitful and additional research will allow us to take the findings of this linkage even further. The Greek case shows that although the exogenous parameters were key for the initiation of the reforms the actual outcome of the process is mainly a domestic issue. The strength of the domestic political authority to steer the paradigm shift is possibly the most important factor for a critical juncture to lead to a paradigm shift. The current economic crisis may prove to be an opportunity not only for the countries involved and for the Eurozone but also for the deepening of the study of public policy change.

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## **Interviews**

- 1) Interview with a Consultant of the Vice President of the Hellenic Government, Athens, 1/4/11.
- 2) Interview with the Chair of the National Centre for Public Administration and Local Government (EKDDA), Athens, 2/4/11.
- 3) Interview with the Greek Ombudsman, Athens, 5/4/11.
- 4) Interview with high-ranking official of the Ministry of the Interior, Athens, 7/4/11.
- 5) Interview with the Chair of the Public Servants Trade Union (ADEDY), Athens, 21/4/11.



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