A Democracy under Stress
Greece since 2010

Dimitri A. Sotiropoulos

Abstract

The severe economic crisis of Greece has tested the limits of Greek democracy and revealed a crisis of governance. Social protest has challenged legitimate political institutions, while a new polarized multiparty system has emerged. The causes of these trends are related to the impact of the economic crisis and to a combination of low-quality democracy and extended income inequality, which, in turn, stem from the longer-term deficiencies of the democratic regime that emerged after the fall of Greek Colonels from power (1974). Deficiencies include the intrusion and replication of party competition in all administrative and social institutions, the capture of public policy sectors by strong interest groups, and an ineffective welfare state that protects a limited number of “insider” groups.

Key words: Income inequality, quality of democracy, party system, organized interests, state capture, Greece, crisis.

Two consecutive parliamentary elections in Greece, the first in May and the second in June 2012, signaled the end of one of the strongest two-party systems in Europe and the rise of a new dichotomy between pro-European and anti-European political camps. After the inconclusive election in May 2012, out of which no government was formed, the pro-European forces won the parliamentary elections of June 17, 2012. The center-right New Democracy (ND) party obtained 30 percent of the vote (down from 33 percent in 2009), the radical left party, Syriza, 27 percent (up from 5 percent in 2009), and the socialist party (PASOK), 12 percent (down from 44 percent in 2009). Even if the winner of the elections, New Democracy, won by a margin of only 3 percent, there is no doubt that the pro-European forces were now in the driver’s seat. Anti-bailout political parties, the most prominent of which is the Syriza

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party that advocated canceling Greece’s bailout package in its entirety, lost the elections. Contrary to the widespread impression that Greece has become ungovernable, just a few days after the election, a three-party, pro-European coalition government was in place. The coalition government, consisting of ND, PASOK, and the small pro-European leftist Dimar party (6 percent of the vote), prepared to ask the so-called “troika” of the European Commission (EC), the European Central Bank (ECB), and the IMF to relax the most ineffective measures of the bailout package, without discarding the package. Since May 2010, such measures have brought the Greek economy to its knees (the GDP declining by 6 percent at the end of 2011, 22.6 percent unemployment in the first trimester of 2012). What led to such dramatic changes in one of the oldest member-states of the European Union (EU)?

Greece had joined the European Communities in 1981, earlier than most of today’s twenty-seven member-states. From 1981 to 2012, the ND and PASOK alternated in power and, together, used to obtain the vast majority of all votes cast. For instance, in the October 2009 elections, together they had obtained 77 percent of the total vote (PASOK 44 percent, ND 33 percent). Two and a half years later, in the inconclusive election of May 2012, this share dropped to 33 percent. In the meantime, periodic and often violent street demonstrations had shaken Greek cities. The rise of the radical left (Syriza), which won second place in the 2012 elections, just behind ND, leaving PASOK trailing far behind, was accompanied by the emergence of new left and right parties, including a far-right, almost neo-Nazi party named Golden Dawn, that gained 7 percent of the vote in June 2012, up from an insignificant 0.3 percent in October 2009. Clearly, Greek democracy is under stress. The causes for this stress and the abrupt replacement of the two-party system by a polarized multiparty one lies in processes which started a long time ago, after the 1974 transition to democracy in Greece.

In what follows, I present my theoretical framework that combines the analytical lens of quality of democracy with a concern for economic inequality. I then refer to the economic crisis that has shaken Greece since 2009 and to the social and political effects of the crisis, and discuss Greece comparatively in terms of income inequality and quality of democracy. I argue that, compared to other South European and East Central European consolidated democracies, Greece uniquely combines extended income inequality with deficient rule of law and unsatisfactory voice and accountability. I look closer at voice and accountability, rule of law, and income inequality in Greece by presenting qualitative data. Finally, I look for explanations of Greece’s combination

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of relatively low quality of democracy with extended income inequality by examining deficiencies at the political-regime level and the level of state-society relations.

**Theoretical Framework**

A growing body of work exists on the question of democracy and inequality.\(^2\) The procedural concept of democracy, according to which democracy is a political regime that allows for the turnover of governing elites through periodic, open, fair, and free elections, although very useful, leaves much to be desired. The study of quality of consolidated democracies,\(^3\) which has followed previous research on democratization, has developed in parallel with the realization that democratization remains an open-ended project. Lawrence Whitehead warns us that even Europe’s community of democracies may include fragile regimes, as the examples of Bosnia, Kosovo, Cyprus, and some of the democracies that have emerged from the former Soviet Union show.\(^4\)

The incompleteness of democratic regimes underlined by Whitehead is reflected in various theoretical attempts to move beyond the procedural definition of democracy. In view of the very uneven performance of post-1989 democracies, analysts have proposed a distinction between defective and embedded democracies and also have tried to construct a measurable concept of quality of democracy.\(^5\) Critics of post-socialist democracies have converged on the need for institutions through which governing elites are held accountable to the people; for effective channels to voice political opposition and concerns of society’s vulnerable groups; and for the implementation of the rule of law.

As Nancy Bermeo has pointed out, increasing inequality may be harmful to the quality of democracy, but it will not necessarily provoke the breakdown of democratic regimes.\(^6\) Among other reasons, this is because citizens do not consider the reversal of economic inequalities as a major priority and


also because there are elites and ordinary citizens who, in principle, defend inequality. They claim that unequal rewards fuel productivity and innovation, but they miss the point that, barring differences in electoral systems, high rates of economic inequality depress electoral turnout and political participation. As Wolfgang Merkel argues, “the principle of political equality is inevitably connected to the principle of democracy. This principle is violated when real political inequality cannot be produced anymore because of extreme socio-economic inequality.” In brief, the relevant literature suggests that widening economic inequalities produce a low quality of democracy. This essay claims that the causal relationship between the two variables (economic inequality, quality of democracy) is not straightforward and that the interaction between them has caused the crisis in Greece. This crisis can be understood through the lens of quality of democracy, combined with persistent economic inequality and deficiencies that are apparent at the political-regime level and the level of state-society relations.

The Economic Crisis of Greece and Its Social and Political Effects

When in 2004, PASOK, that had ruled Greece for the largest part of the three decades since the transition to democracy (1974), lost the elections to ND, few predicted that the socialists would be back in power in five years’ time (2009). Yet, during ND’s term in power (2004-2009), economic growth, which had been high in the beginning of the 2000s (4.5 percent on the average in 2000-2003), slipped in 2008; the already negative balance of payments grossly deteriorated and reached almost -18 percent in 2008; the public debt, which already averaged 72 percent of GDP in 1986-1990 (under the rule of PASOK), reached 129 percent by 2009; revenue from taxes collapsed, government spending increased, and the budget deficit surpassed the 15 percent mark in 2009. After 2008, the negative results of mismanaging the national economy were exacerbated by the global economic crisis.

So, after winning the elections of October 2009, PASOK had to face two concurring crises, national and global. It also had to overturn its own pre-electoral commitments, as it had falsely promised Greek voters a set of Keynesian policies in order to raise living standards. PASOK delayed making the policy shifts necessary to prevent the crisis from getting out of control. It was only in May 2010 that the PASOK government, against fierce opposition manifested in violent street demonstrations, started to implement harsh austerity policies in exchange for a rescue package of 110 billion Euros (the first bailout

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7 Merkel, “Embedded and Defective Democracies,” 45.
package). Such policies had been formulated by the aforementioned “troika.” The Greek government agreed with the “troika” on this first bailout package because the country no longer could service its public debt.

The austerity measures hit the upper- and middle-income salaried strata through salary and pension cuts across-the-board and relaxed employment protection in the private sector. Although, owing to the PASOK government’s efforts, the budget deficit dropped from 15.4 (at the end of 2009) to 10.5 percent of the GDP within a single year (2010), inflation soared to 5 percent, and at the end of 2010, the economy was in deep depression (negative growth of - 4.5 percent). The country was once more at the brink of bankruptcy. The package emphasized austerity measures too much, thus leading to a torrent of new taxes, causing further depression. Another austerity package was announced in May-June 2011, provoking more street protests.

In November 2011, PASOK Prime Minister George Papandreou made the false move to call a referendum on the new austerity package mentioned above (the “Mid-term Program”), to which his government had agreed with the “troika.” Papandreou’s move was interpreted as a threat to the stability of the Euro and caused strong negative reactions by other European leaders and defections of deputies within his own party. He cancelled the referendum and handed power to a coalition government. PASOK, ND, and the nationalist/populist LAOS (the “People”) party became coalition partners, while the “Mid-term Program” was never really implemented. In February 2012, the coalition government agreed with the “troika” on a new bailout package, containing further austerity measures and amounting to 130 billion Euros (including funds from the first package). This time, ND, which had fiercely opposed the first bailout package, changed course and supported the second bailout package, thus alienating part of its own electorate. However, it soon became obvious that the relatively affluent workers of state-owned enterprises (SOEs), the professionals (e.g., engineers, lawyers, and physicians), and the civil servants were reluctant to accept the new bailout package that required them to adapt to lower living standards because of lower salaries and increased taxes. Private-sector workers were hit much harder than the above three occupational categories when, in March 2012, the minimum wage was reduced by 22 percent. In the meantime, depression continued for the fifth year in a row (2008-2012).

The coalition government soon realized that the depth of reforms necessary to keep the Greek economy afloat required a fresh mandate from the electorate. Elections were called for May 2012, to no avail, because no party obtained more than 20 percent and no party agreed to any coalition. As noted above, the Syriza party rose spectacularly in the June 2012 elections, while ND and PASOK witnessed their vote shares dwindle.

This obvious crisis of governance is related to the pre-crisis inability of the Greek state to steer the economy toward higher competitiveness and away from of a state-dependent type of economic development. The weakness of the
Greek state is manifested in its incapacity to perform its developmental role, in the malleability of its administrative structures, which fall prey to acute political party conflict, and in the regulatory capture of public policy-making in Greece by strong interest groups.

The Uniqueness of the Way Greek Democracy Functioned during the Crisis

Other countries in the periphery of Europe also face problems of governance. What, if anything, is unique about the crisis of democratic governance in Greece? Democracy in Greece has been put to the test by the economic crisis. While democratic de-consolidation has not taken place, periodic massive and often violent social protest has challenged legitimate political institutions. For instance, on May 5, 2010, three bank employees were torched by protesters throwing Molotov bombs inside a bank branch, and on May 29, 2011, between fifty and one hundred thousand protesters gathered in front of the Greek parliament. Such reactions are related, first, to the impact of the economic crisis (rising unemployment and drop of incomes), second, to longer-term deficiencies of the democratic regime that emerged after the fall of the Colonels from power (1974), and, third, to previous economic hardship: in 2009, even before the crisis, the share of the Greek population living in poverty was 20 percent (EU-27 average: 16 percent).

Beginning in early 2010, the protest against the then socialist government included periodic strikes and sit-ins by labor unions and social unrest that frequently developed into violent clashes with the police, including frontal attacks against government buildings. In the winter of 2010-2011, groups of drivers passing through toll posts refused to pay toll fees, resisting the rise in prices and even lifting the bars at toll posts so that other drivers could pass through. Public bus passengers refused to pay for tickets after a similar price rise. Drivers and passengers refusing to pay toll fees or bus tickets were soon organized into nationwide networks. In May 2011, Greek indignados made their appearance, imitating their Spanish counterparts. They occupied the largest square of Athens between May and July 2011, organizing demonstrations every evening, during which not only anti-government but also anti-parliamentary,

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anti-European, and anti-capitalist slogans prevailed.

There are also several typical examples of the capture of policy-making by strong interests, preventing any government-led reform, large or small. In the fall of 2010, owners of trucks resisted the socialist government’s decision to provide new licences for trucks in order to open access to what still is a “closed shop” occupation. They parked their vehicles in long lines along major thoroughfares of Greek cities and national highways, causing further deterioration to the already grave daily traffic congestion. In July-August 2011, taxi owners fiercely resisted the government’s earlier reversal of the decision not to grant any new taxi licences, a promise made to them in 2010 but rescinded in 2011. They used their taxis to block circulation in the center of cities and even to block access to ports and airports around the country. Twice, in 2010 and 2011, owners of pharmacies resisted the government’s plan to grant licences for new pharmacies in an effort to open what continues to be another “closed shop” occupation. Pharmacists closed their shops for a few days each week, causing the build-up of long lines in front of their shops.

Disaffection with the government and anti-Europeanism were reflected in public opinion and electoral trends: in a July 2011 nationwide opinion poll, parties of the left, including Syriza, the pro-Soviet KKE, and the extra-parliamentary left obtained 24 percent of the vote (up from 15 percent in the 2009 elections), and the right-wing LAOS gained 9 percent. As already noted, in the June 2012 elections, the neo-Nazi party, Golden Dawn, soared to 7 percent of the vote.

To sum up this section, between the adoption of the first rescue package (May 2010) and the formation of a pro-European tripartite government (June 2012), there was mounting and often violent protest, while parties failed to converge on an exit strategy out of the crisis. The question is why, up to June 2012, were Greek political forces unable to reach a consensus on crisis management and why were social reactions to the government’s measures so fierce? A possible answer to these questions lies with Greece’s combination of a low quality of democracy and extended income inequality.

Economic Inequality and Quality of Democracy in Greece in Comparative Perspective

In this essay, I use the most common indicator of inequality, the GINI coefficient of income inequality, in addition to other income data (table 1). International organizations, such as Freedom House and the World Bank (WB), measure the quality of democracy by assessing the level of protection of civil and political liberties, voice and accountability, rule of law, control of corruption, political stability, absence of violence, government effectiveness, and regulatory quality. In this essay, I use two factors, (1) voice and accountability, and (2) rule of law, as variables of quality of democracy (table 2). I employ data from the
WB’s governance indicators,\textsuperscript{12} which are based on the bank’s analysis of public opinion and on expert surveys of perceptions relevant to voice/accountability and rule of law. Table 2 summarizes a large and varied set of attitudinal data elaborated upon by the WB. Differences among the countries, which interest us here, should not be exaggerated.

The two variables are defined as follows: “voice and accountability” captures perceptions of the extent to which a country’s citizens are able to participate in selecting their government, as well as perceptions of freedom of expression, freedom of association, and freedom of the media. “Rule of law” captures perceptions of the extent to which agents have confidence in and abide by the rules of society, and, in particular, of the quality of contract enforcement, property rights, the police, the courts, and the likelihood of increased crime and violence.\textsuperscript{13} For the sake of space, in the following comparisons of South and East European states, I do not include the Baltic states. I do not include the post-communist Balkan states either, because of their very distinctive, war-ridden development since 1989.

Why is it useful to look at voice and accountability as well as rule of law indicators, shown in table 2, to assess the quality of democracy in comparative perspective? The answer is that other indicators, such as political stability and absence of violence, regulatory quality, and government effectiveness may be regime-neutral. One can easily think of twentieth-century political regimes which were very stable for as long as they lasted, were effective, and developed effective policies and regulations to promote private-sector development, but were very far from being democratic in any conceivable way. By contrast, one cannot think of a democratic regime which lacked voice and accountability or rule of law. Moreover, corruption may be widespread in a political regime, regardless of its democratic or non-democratic character. In this essay, I return to corruption in the discussion of rule of law.

As shown in table 1, Greece performs better (i.e., shows less income inequality) than Italy, Portugal, or Spain. Greece, however, performs worse than all East Central European countries, except for Poland (table 1). In terms of rule of law and voice and accountability, Greece performs worse than Portugal and Spain, but better than Italy with regard to rule of law (table 2). By those two democracy indicators, Greece performs worse than most East Central European countries, with the exception of Slovakia (and Poland, with regard to rule of law).


Table 1. Income Indicators for Greece, South European, and East Central European Countries

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Greece</td>
<td>27,580</td>
<td>0.34</td>
<td>20.1</td>
</tr>
<tr>
<td>Italy</td>
<td>26,619</td>
<td>0.36</td>
<td>18.2</td>
</tr>
<tr>
<td>Portugal</td>
<td>22,105</td>
<td>0.39</td>
<td>17.9</td>
</tr>
<tr>
<td>Spain</td>
<td>29,661</td>
<td>0.35</td>
<td>20.7</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>22,678</td>
<td>0.27</td>
<td>9.0</td>
</tr>
<tr>
<td>Hungary</td>
<td>17,472</td>
<td>0.30</td>
<td>12.3</td>
</tr>
<tr>
<td>Poland</td>
<td>17,803</td>
<td>0.35</td>
<td>17.6</td>
</tr>
<tr>
<td>Slovakia</td>
<td>21,658</td>
<td>0.26</td>
<td>12.0</td>
</tr>
<tr>
<td>Slovenia</td>
<td>25,857</td>
<td>0.31</td>
<td>12.7</td>
</tr>
<tr>
<td>EU-27 average</td>
<td></td>
<td></td>
<td>16.4</td>
</tr>
</tbody>
</table>


Table 2. Quality of Democracy Indicators for Greece, Southern European, and East Central European Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Rule of Law WB’s Governance Indicators</th>
<th>Voice and Accountability WB’s Governance Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>+0.79</td>
<td>+0.91</td>
</tr>
<tr>
<td>Italy</td>
<td>+0.38</td>
<td>+1.02</td>
</tr>
<tr>
<td>Portugal</td>
<td>+1.02</td>
<td>+1.21</td>
</tr>
<tr>
<td>Spain</td>
<td>+1.11</td>
<td>+1.07</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>+0.96</td>
<td>+1.06</td>
</tr>
<tr>
<td>Hungary</td>
<td>+0.82</td>
<td>+1.01</td>
</tr>
<tr>
<td>Poland</td>
<td>+0.68</td>
<td>+1.03</td>
</tr>
<tr>
<td>Slovakia</td>
<td>+0.65</td>
<td>+0.87</td>
</tr>
<tr>
<td>Slovenia</td>
<td>+1.11</td>
<td>+0.99</td>
</tr>
</tbody>
</table>

Sources: For the two world governance indicators (voice and accountability and rule of law), results are taken from the 2009 governance indicators database, http://info.worldbank.org/governance/wgi/me_chart.asp (accessed December 29, 2010).
Based on my remarks in the theoretical section of this essay, one expects to find that low quality of democracy coincides with extended income inequality. Let us assume that “satisfactory level of rule of law” and “satisfactory level of voice and accountability” are indicated by a value of at least 1.0 in the scale -2.5 to +2.5 of the WB’s governance indicators (2009), and that “extended income inequality” is indicated by an annual average value of the GINI coefficient of at least 0.33 in 2000-2010.

The indicators of rule of law and voice and accountability can be mapped against income inequality (GINI coefficient) to produce two-by-two tables (tables 3 and 4). Among all included countries, Greece, Italy, and Poland exhibit both extended income inequality and an unsatisfactory level of rule of law (table 3). Greece is the only country combining extended income inequality and an unsatisfactory level of voice and accountability (table 4). I argue that this outcome is owed to the development of the Greek party system and state-society relations, which are analyzed in the following sections.

The picture is corroborated by data on poverty (last column of table 1 above), where it is shown that Greece and Spain have the largest shares of poverty. However, the quality of democracy in Spain, measured by the levels of rule of law and voice and accountability (table 2), is superior to levels in

Table 3. Rule of Law and Income Inequality in Greece, Southern Europe, and East Central Europe

<table>
<thead>
<tr>
<th>Extent of Income Inequality</th>
<th>Rule of Law</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory Level of Rule of Law (&gt;1.0)</td>
<td>Unsatisfactory Level of Rule of Law (&lt;1.0)</td>
</tr>
<tr>
<td>Less Extended Income Inequality (&lt;0.33)</td>
<td>Slovenia</td>
</tr>
<tr>
<td></td>
<td>Czech Republic, Hungary, Slovakia</td>
</tr>
<tr>
<td>Extended Income Inequality (&gt;0.33)</td>
<td>Portugal, Spain</td>
</tr>
<tr>
<td></td>
<td>Greece, Italy, Poland</td>
</tr>
</tbody>
</table>

Table 4. Voice-accountability and Income Inequality in Greece, Southern Europe, and East Central Europe

<table>
<thead>
<tr>
<th>Extent of Income Inequality</th>
<th>Voice and Accountability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfactory Level of Voice and Accountability (&gt;1.0)</td>
<td>Unsatisfactory Level of Voice and Accountability (&lt;1.0)</td>
</tr>
<tr>
<td>Less Extended Income Inequality (&lt;0.33)</td>
<td>Hungary, Czech Republic</td>
</tr>
<tr>
<td></td>
<td>Slovakia, Slovenia</td>
</tr>
<tr>
<td>Extended Income Inequality (&gt;0.33)</td>
<td>Poland, Italy, Spain, Portugal</td>
</tr>
<tr>
<td></td>
<td>Greece</td>
</tr>
</tbody>
</table>
Greece, leaving Greece in the position of an outlier in terms of the combined extended inequality, poverty, and low quality of democracy.

The Problem of Extended Income Inequality in Greece

Poverty and Inequality in an Inefficient and Biased Welfare State

Greece has failed to fight poverty and inequality which have affected specific categories of the population. These are the long-term unemployed (who are half of all unemployed), residents of mountainous villages and small islands, and old-age women relying on noncontributory social assistance. Social exclusion affects the few religious or ethnic minorities of the country (the Muslims of Western Thrace and the Roma).

The Greek welfare state does not fight poverty and inequality efficiently, even though until the current crisis the state seemed to channel adequate funds toward social protection. Just before the crisis (2009), the total social expenditure in Greece amounted to 24 percent of the GDP (i.e., it was only slightly smaller than the EU average of 27 percent). However, the social protection system has had many loopholes. There remain large discrepancies in insurance contributions paid by members of different occupational groups. In addition, there are large inequalities in the levels of social benefits, also handed out on the basis of privileges enjoyed by occupational groups. In detail, Greek welfare policies have been held hostage to historical traditions of statism, familism, polarized party competition, and patronage-ridden distribution of transfers to favored groups of beneficiaries, such as professionals and public-sector workers. The latter two groups have captured the welfare-policy sectors and have resisted all welfare reforms since the early 1990s.

Pension and social inclusion policies are fragmented along clientelistic lines (where some occupational groups enjoy disproportionate social protection compared to others), and based on monetary transfers rather than on services. There is a large state-owned social insurance agency (IKA), covering people in private dependent employment. This fund is the largest in the country, but

14 Christos Papatheodorou and Maria Petmesidou, “Inequality, Poverty and Redistribution through Social Transfers: Greece in Comparative Perspective” (in Greek), in Poverty and Social Exclusion, ed. Maria Petmesidou and Christos Papatheodorou (Athens: Exantas, 2004), 307-366.


offers minimum pensions to the majority of its beneficiaries (in 2009, the minimum pension was 597 Euros for twenty-five years of insured work). There are also state-subsidized occupation-based pension and health schemes, covering public-sector employees, banking employees, and professionals. The beneficiaries of those funds receive benefits disproportionate to their contributions because their funds have grown on state subsidies or other contributions channeled to their funds. For instance, individuals or businesses placing an advertisement in the daily press pay a fee to the pension fund covering journalists and the rest of newspaper employees. Further, lawyers and notaries, in addition to their regular fees, are entitled by law to receive an extra fee paid by their clients, which is deposited directly into the lawyers, judges, and notaries’ pension fund, which is jointly held by all members of these three professions.

Finally, the system is not efficient. In 2006, after social transfers (excluding pensions), the EU average poverty rate decreased from 26 percent to 16 percent. By contrast, in Greece, it dropped from 23.6 percent to only 21 percent. As the European Commission puts it, “Greece is the country in the EU with the highest inequality rates where the main feature is exactly the incapability of social protection to reduce poverty.” In 2009, Greece spent most of its social expenditure (80 percent) on pensions and health care. While this is typical of other EU countries, in Greece, the share of total social benefits devoted to disability, family and childcare, and unemployment is well below the EU-27 average. In addition, Greece is the only country in the EU-15 where there is no Minimum Income Guarantee. There is no social safety net of last resort for people who fall through the gaps created by the functioning of the free market.

**State-dependent Economic Development and Income Inequalities**

The biased functioning of the Greek welfare state is related, first, to the type of economic development that has set Greece apart from other advanced economies, and, second, to the tenuous coexistence of several different labor markets in the country. After the 1974 transition, the center-right government of ND nationalized private industries which were at the brink of bankruptcy in order to avoid an increase in unemployment and to use SOEs to foster economic development. After coming to power in 1981, PASOK further nationalized ailing private enterprises. The public sector that emerged included a vast array of SOEs that were active in a wide range of economic activities, from gambling to armaments production.

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17 *Imerisia* (newspaper, Athens, in Greek), December 12, 2009.
Moreover, both political parties alternating in power (ND and PASOK) and forming single-party majoritarian governments used SOEs as a depository of surplus labor, namely party supporters who were hired en masse. The party in government would demand that the manager of an SOE (always a government appointee) recruit additional personnel. The SOE’s trade union also pressed in the same direction and influenced decisions on hiring. Government appointees in top management positions of SOEs functioned within a political logic, which served the governing party’s interests at the expense of efficiency and transparency. Employees of SOEs formed strong unions and were able to obtain wages and salaries which were always above the National General Collective Agreements, signed every two years between the social partners.

Further, private capital has developed in an unregulated but state-dependent fashion. On the one hand, oligopolies were created in certain sectors (e.g., in air and sea transport and in the food and beverage industry). The agency in charge of overseeing competition (Competition Committee), although an independent regulatory authority, has lacked the necessary resources and jurisdiction to prevent phenomena such as price fixing by suppliers of goods and services (e.g., medical supplies for public hospitals).

On the other hand, private businessmen started enterprises which counted on state loans and subsidies for financing. They focused on servicing the needs of the state apparatus. Typically, businessmen supplied goods and services to state organizations at prices far above the market price. State organizations (e.g., the armed forces and public transport companies) were able to pay these prices because they operated on a soft budget, counting on the state budget to cover their deficits. Successive governments funded deficits by increased borrowing that gradually grew into an unsustainable public debt.20

While such a state-dependent business class flourished, businessmen of small- and medium-sized organizations offered minimum wages and salaries to their personnel (e.g., in the garment industry or in the tourist sector). Other businessmen (e.g., in the construction sector) offered compensation “under the table” to their employees, a practice allowing both employers and employees to avoid paying insurance contributions. This led to evasion of tax and insurance contributions.

The state-dependent and tax-evading business class was in the top echelon of a social-class structure, corresponding to a three-tiered labor market: first, a regulated labor market for the “insiders,” which included employees of about 430 large businesses (with over 250 employees each)21 and a large civil service (17 percent of the labor force). Within this segment of the labor market, the most privileged were the employees of SOEs, who also enjoyed job security

21 *He Kathimerini* (newspaper, Athens, in Greek), August 29, 2010.
(similar to that of civil servants) and earned average salaries higher than the average salaries of civil servants and private-sector employees. Second, was a barely regulated labor market, involving many small- and medium-sized enterprises (SMEs), which often paid minimum salaries to their employees. And, third, was a completely unregulated shadow labor market, involving migrant labor, seasonal workers, and domestic help. Those at the bottom of the ladder (employees of SMEs and workers in the shadow labor market) were “outsiders.” They experienced economic hardship and also lacked a “voice,” an issue to which we now turn.

The Problem of Deficient Voice and Accountability

** Freedoms of Association, Expression, and Assembly **

The Greek system of interest representation resembles a corporatist one, with a nationwide dominant association (a “confederation”) for private-sector workers and employees (GSEE) and a second nationwide dominant association for civil servants (ADEDY). While union density in Greece is generally rather low (on the average 23 percent in 2005), these two confederations are based on unions of the civil service and SOEs in which almost all employees participate. The confederations represent permanent workers (the “insiders”) and to a large extent are funded by the Ministry of Labor. The two confederations are divided internally along political party lines, mirroring the dividing lines in the Greek parliament. Factions of ND and PASOK dominate the confederations and are joined by the faction of one leftist party, Syriza; the other leftist party, the pro-Soviet KKE, has created its own separate labor union. Less strong unions, such as unions of fixed-term workers and temporary workers, are weak and may enjoy much less protection of their rights. The same holds true for associations of women and migrants, who have not been able to influence policy-making.

Civil society has the ability to operate freely, but civic associations are weak in the sense that the state does not consider civic associations to be its natural interlocutors in the policy-making process. In other words, compared to North European countries, where labor and civic associations are autonomous social partners in systematic dialogues with the state and business associations, in Greece, the interests of workers and employees have been shaped historically in a way that makes labor interests dependent on the major political parties and on the state. Divisions within civil society (e.g., within the labor or the student movement) mirror national-level divisions among political parties. Until the crisis of 2010-2012, the two aforementioned confederations were able to block

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22 Figure drawn from the international data set compiled by Jelle Visser, http://www.uva-aias.net/207 (accessed June 21, 2012).
reforms regarding labor-market flexibility, pensions, compensation, and work regulations.

The Greek Constitution and the courts uphold freedoms of association, expression, and assembly. Political participation is free and often so intense that, in fact, daily life in the largest Greek cities is frequently affected by demonstrations in which the police do not intervene. Police do not even control major thoroughfares, which are usually occupied by demonstrators blocking traffic in all directions. Greek authorities are very tolerant toward all those exercising the right to assembly, as the memories of suppressing demonstrations during the seven-year-long military rule (1967-1974) are still alive. Strong trade union, student, and local community movements are able to mobilize effectively, defying police, who usually have instructions to avoid dispersing demonstrators, unless they become violent or attack government buildings. Such practices, common in 2010-2012 in Greek cities but rare in other crisis-stricken societies of Southern Europe (Italy and Portugal), attest to the degradation of the quality of democracy in Greece.

Elections, Vertical and Horizontal Accountability

Normally in Greece, parliamentary elections should take place every four years, whereas the President of the Republic, who has weak powers, is elected by the unicameral parliament every five years. However, governments feel free to call snap elections almost anytime, if they predict that they have better chances to win the absolute majority of parliamentary seats. In 1974-2010, the parliament, which has three hundred seats, was always controlled by the government, and in 2000-2012, elections took place six times. In 1974-2010, with a brief exception of a ten-month period of coalition cabinets in 1989-1990, all governments were either ND or PASOK party governments, which enjoyed the full majority of parliamentary seats. The consequence was that for more than three decades (1974-2012), governments were able to pass legislation at will, but also to politicize the public administration and handle domestic and foreign affairs, almost unopposed.24

The effective lack of opposition to the government is owed to the electoral system and to the lack of adequate mechanisms of parliamentary control. In the 2007 elections, the winner, ND, controlled 152 of the 300 seats, and in the 2009 elections, the winner, PASOK, controlled 160 seats. This trend ended in the two consecutive elections of May and June 2012, when no party was able to win the absolute majority of seats, as in the wake of the crisis voters cast their votes to small and new parties. This outcome led ND and PASOK to

enter a coalition government, along with the small pro-European leftist party, Dimar.

The strong parliamentary majority usually enjoyed by the winner party is the result of an electoral system which only nominally is a proportional representation system. In detail, 250 of the three hundred parliamentary seats are proportionally allocated to all parties on the basis of their nationwide performance, but the electoral system allocates to the front-runner party the remaining fifty seats, with the aim of securing a solid majority government. There is also a threshold: parties must obtain 3 percent of the vote in order to be represented in parliament.

The parliament does not operate as an effective check on government power. Plenary sessions are not well attended by Members of Parliament, while parliamentary committees engage in debates but lack substantive jurisdiction. Further, there is a tradition of very strong party discipline, resulting in the expulsion of dissidents by fiat of the party leadership. (Greek parties are mostly personalistic and hierarchical in their structure.) Moreover, members of parliament are not adequately supported with resources and staff, which would enable them to meaningfully participate in the legislative process. All this amounts to the legislative branch of government being unable to hold the executive fully accountable, while bills of law are rarely ever rejected by the parliament.

Campaigning opportunities formally are equal for all competing parties, but in practice, the cost of campaigning, particularly through TV advertisements, is prohibitive for small or new parties. Parties are obliged to publish their balance sheets annually, candidates are prohibited from passing a certain threshold of expenses for their electoral campaigns, and after each election, a parliamentary committee is entitled to review campaign costs and sanction individual trespassers. However, this committee has never sanctioned any parliamentary deputy for overspending during his or her campaign.25

As a result of a tradition of patronage and the absence of controls on the executive, it has been common for the party in government to over-spend state funds in the period just before elections, in order to hire new temporary employees in the public sector and also to advertise its own policy measures. Thus, the government used to draw on the state budget in order to attract votes and facilitate the governing party’s return to power. This was a manifestation of the phenomenon of economic-electoral cycles with a clientelist twist. Media are free and ideally should operate as a check on the power of the executive. However, according to the Freedom of the Press Index, in 2011-2012, Greece was the worst performer in the EU-27, except for Bulgaria, as

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far as the freedom of journalists was concerned. Greece was ranked seventy-sixth among 179 countries in the world, on a par with Bhutan, Burkina Faso, and Nicaragua. This was the result of the high personal risks journalists encountered when covering the numerous violent demonstrations against austerity policies, which took place in Athens in 2010-2011. Still, media pluralism in Greece is undisputable. There are twenty daily newspapers with nationwide circulation (seventeen based in Athens and two based in Thessaloniki). The range of political views encountered in the daily press is quite broad, ranging from the communist left to the far right. There are also ten nationwide TV channels (of which three are state-owned, while the rest are private). The government appoints the management and board of directors of the state-owned TV channels. Until the mid-1990s, this arrangement meant that the government used to enjoy a more favorable TV and radio exposure than the opposition. Over time, public outcry about biased coverage of the news brought results. Today, state radio and TV channels are open to opposition parties and civic critics.

However, media freedom has not enhanced the quality of democracy (e.g., by contributing to the accountability of political institutions). Major newspapers and private TV and radio channels belong to prominent businessmen, active in various industrial sectors (e.g., typically in construction and shipping businesses). Media owners periodically form alliances with parties or selected cadres of parties, the careers of whom they promote (or threaten) almost at will. Moreover, popular journalists employ simplistic, populist, and nationalist discourse. Practices of the “yellow press” have spread in electronic media, infotainment prevails, and the sophistication of news analysis is very low. In short, although there is much criticism against the government and the rest of political institutions, the media do not really enhance accountability in Greek democracy.

Political parties are also powerful vis-à-vis the state administration. The party that happens to be in power can greatly influence the composition of service councils responsible for promotions in the civil service hierarchy. In 2010, there were 768,000 civil servants (17 percent of the labor force). To this number one should add about 300,000 employees of SOEs. Since 1994, when the Higher Council for Administrative Personnel Selection (ASEP) was founded, recruitment to the Greek civil service has followed two tracks. First, there is recruitment based on entrance examinations organized by the

ASEP: the civil service personnel is selected on the basis of open competition and by merit. Second, until 2009, when, in the face of the economic crisis, the incoming PASOK government drastically clipped the opportunities for patronage appointments, the party in power used to offer job openings to its own supporters. Such openings were usually fixed-term or project-based jobs and their cumulative effect was a bloated public sector.

Since 1997, numerous independent administrative and regulatory authorities, such as the Greek Ombudsman and the Personal Data Protection Authority, have been instituted in an effort to balance the strength of the executive and to promote transparent and efficient citizen-administration relations. However, the fact is that independent authorities have not been able to alter a top-heavy political system in which the government is neither checked nor balanced by other political institutions, not even by the justice system, as gaps in the implementation of rule of law show.

Thus, voice and accountability in Greece suffer from lingering problems, most of which are accounted for by the penetration of party competition into most political and social institutions (unions, associations) and the capture of policy areas (such as media policy) by strong interests.

The Problem of Deficient Rule of Law

The Justice System
While Greece’s justice system is independent and courts are managed autonomously by the magistrates themselves, there are many dysfunctions which by now have brought the distribution of justice in Greece almost to a standstill. Dysfunctions rise from a lack of staff and resources, the propensity of Greek citizens to resolve their disputes by resorting to courts, and an overall prevailing legalistic culture, itself a reflection of the traditionally extensive presence of the Greek state in economic and social affairs.28

Normally the government appoints the presidents and vice presidents of all three higher-level courts (the Supreme Court, the highest administrative law court, and the Audit Office). In the past, this provided a window of opportunity to the government-of-the-day to hand pick judges, but such a practice is now rare. After 2009, PASOK passed legislation which granted to a high-profile parliamentary body the power to nominate the justices of the three courts. This body, which selects justices with reinforced majority rules, is composed of the president and the vice presidents of the Greek Parliament. Compared to the pre-2009 period, the leverage which the government has today over the

appointment of justices and the outcomes of politically sensitive trials has been diminished.

However, a lingering issue is that authorities do not always comply with judicial decisions. It is not uncommon for municipal and ministerial authorities to refuse to comply with court decisions. This leeway, sporadically enjoyed by mayors and ministers, can be accounted for by the lack of steering mechanisms overseeing the functioning of central and local government authorities. Moreover, mayors sometimes claim political credit, by showing to their voters that they are independent from the central administration or even from the courts. These issues are resolved when citizens initiate further court procedures on the same case. In very extreme cases (e.g., criminal law violations), mayors are removed from their posts.

The implementation of sanctions against officials requires a long and arduous process. Indeed, the rule of law has been undermined in certain quarters of the Greek state, such as town planning, taxation, and customs. Even though it is widely admitted that corruption in such authorities is pervasive, officials who have engaged in corrupt practices are seldom apprehended. When, after long delays, corrupt officials are subjected to disciplinary action within the civil service, imposed sanctions are rather lenient, while the criminal prosecution against law violators takes a very long time to complete.

The prosecution of ministers suspected of having engaged in corrupt practices also takes a long time. Multiple judiciary and parliamentary committees are involved in the process before cases arrive in the plenary session of the parliament, where the majority of Members of Parliament usually votes against bringing fellow parliamentarians to trial.

Moreover, there is a plethora of regulations, particularly as far as labor, social security, and tax legislation is concerned, leaving room to courts for passing contradictory decisions. The courts are under-staffed, a problem that leads to long delays in distributing justice. For instance, in Athens, civil law cases may take between one and three years, and administrative law cases between three and five years, to be introduced to first-instance courts. Judges may lack the skills necessary to decide on complicated issues regarding economic transactions and economic crime. Further, the judicial jurisdiction of administrative courts is fragmented and overlapping, a problem provoking insecurity among those seeking judicial protection.

The state protects citizens from unfair confiscation of their property. However, it is not uncommon for mayors to claim privately-owned empty plots of land as land earmarked for erecting municipal buildings (e.g., kindergartens or sports centers). Long legal disputes follow such decisions of municipal authorities, as landowners fight battles to preserve their property or to win good compensation for giving up their land. In sum, the legal system in Greece

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29 Interviews by author with two attorneys-at-law, practicing in Athens, August 30, 2011.
is clearly underperforming, negatively affecting rule of law, and allowing corruption to flourish.

**Control of Corruption**

A wider range of law offenders, from persons committing large-scale tax evasion, to civil servants who abuse their power for personal gain and policemen who abuse immigrants, benefit from the dysfunctions of the justice system, as they can escape punishment. Often it is not so much the inefficiency of the system but the lack of political will which amounts to very few among those prosecuted being eventually sanctioned. Government ministers, Members of Parliament, and higher-level civil servants rarely press for the administration of justice in cases of corruption. They are engulfed in a culture of lax attitudes toward trespassing rules, which reigns not only in state-citizen relations but also within the boundaries of public administration.

The lack of adequate mechanisms to control corruption throughout the state apparatus has a negative impact on police and security forces. It is difficult to estimate the extent of corruption involved in the interaction between police officers, on the one hand, and owners of night clubs, drug dealers, and ringleaders of human trafficking networks, on the other. Apprehended officers, charged with corruption offences or violation of human rights, are subjected to disciplinary measures, damaging their careers, but their trial in criminal courts may take a long time to complete. There are exceptions to this, as for instance in the case of the policeman who killed young Grigoropoulos in December 2008 and who was sentenced to life imprisonment. Greeks, regardless of social status, associate their encounters with the central public administration and local government with loss of time and low quality of service. Corruption occurs at street-level public services and at the higher-echelons of officialdom. Resorting to petty corruption by bribing a lower-ranking civil servant or pressing a member of the political elite to intervene in favor of one’s case can shorten the time wasted owed to bureaucratic red tape. There is also higher-level corruption related to structural causes. Such major causes are the sprawling nature of the Greek public sector, which still dominates major sectors of the economy (energy, transport, and armaments), and a culture that lacks transparency in the relations between the state and private actors.

In 2011, Transparency International ranked Greece eightieth among 182 countries, on a par with Colombia, El Salvador, Peru, and Thailand. Greece’s Corruption Perception Index score (3.4 in the scale 0.0-10.0) was far lower than all other EU member-states, except for Bulgaria. In the past, Greece had performed better, as in 2005 it was ranked 47 among 158 countries, with a score of 4.3.\(^{30}\) In his latest report (2011), the General Inspector of Public

Administration, an independent public authority founded in 2002, noted that corruption has extended into local government, environmental, town planning, transport, public works, and public health services.\(^{31}\)

Corruption is also present in customs and taxation authorities, where it again takes two forms: petty and higher-level corruption. In the first case, individuals, such as small entrepreneurs, may offer bribes to officials for a modest favor (e.g., paying a penalty for minor illegalities in their records); in the second case, large businesses may make an “under the table” arrangement with taxation officials in order to avoid heavy fines for tax evasion.

Besides the aforementioned General Inspector, another body entrusted with the task of monitoring corruption is the Financial and Economic Crime Unit (SDOE) of the Ministry of Finance. This is a unit entrusted with the task of fighting money-laundering, fraud, as well as large-scale tax and customs evasion. A third body, which investigates complaints of individual citizens against the central public administration and local government, is the Greek Ombudsman. Officially, then, with regard to corruption control, the institutional armory of the Greek state is comprehensive. However, what is often less available is the political resolve on the part of governing elites to use this armory to fight corruption.

Corruption in Greece is also related to the entanglement of the public and private sectors in the process of public tenders and the financing of electoral campaigns of political parties. Greek laws for government contracting have periodically been amended in order to contain three spreading ills: first, the lack of transparency; second, the tendency to inflate the cost of projects, which hides payments secretly made to politicians and high-ranking officials; and, third, the forging of bonds among businessmen, decision-makers, and the mass media.

To summarize, the rule of law is obviously deficient in Greece, even though it shares a Western tradition of rule of law and does not encounter the severe problems observed in this area in developing and transition societies. Yet, Greece has not been able to arrange for the administration of justice in a reliable manner and without severe delays. Neither has Greece been able to control corruption, contrary to what one would expect from a long-consolidated democracy and an old EU member-state.

Conclusions

The flow of the argument in this essay is the following: Since early 2010 in Greece, there has been a crisis of governance, manifested in massive and

often violent social protests against austerity measures, and the replacement of the old two-party system by a new polarized multiparty system, leading to the formation of a coalition government in June 2012. These developments were the result of the economic crisis that hit Greece in 2010 as well as the consequence of the low quality of democracy and the very unequal distribution of income that had preceded the crisis. In turn, the low quality of democracy and extended income inequality can be attributed to three historical legacies of the period after the 1974 democratic transition, namely, the penetration and replication of intense party competition in all political and social institutions of the country, the capture of the state and specific policy sectors by organized interests, and the biased and inefficient functioning of the welfare system.

Indeed, the economic crisis in Greece has revealed a crisis of governance. Greek society has reacted fiercely to austerity measures and reforms imposed by the government in association with the “troika,” as part of the rescue packages offered to Greece in 2010-2012 in order to avoid default. It took mainstream political parties (PASOK, ND) almost one and one-half years (from May 2010 to November 2011) to agree on a care-taker government that would try to manage the crisis. What explains the governance crisis, the lack of consensus among parties, and the extreme social reactions to new government policies? In this essay, I have argued that such phenomena are the outgrowth not only of the acuteness of the crisis but also of a combination of extended income inequality, on the one hand, and low quality of democracy, as measured by deficient rule of law and lack of adequate voice and accountability, on the other.

Extended income inequality can be explained by a social class structure, itself the product of a state-dependent type of economic development, which combines with a multitier labor market (professionals and self-employed, employees of large enterprises, employees of SMEs, and workers in the shadow economy). More importantly, income inequality is reproduced because of an inefficient and biased welfare system.

At the level of state-society relations, there has been capture of public policy sectors by strong interest groups, including businessmen who are active in certain sectors of the economy (e.g., shipping, private media, and construction business sectors, among many others), professionals, and employees of SOEs. There is extreme fragmentation of collective interests, as a result of a long tradition of preferential and very uneven treatment of small occupational and professional groups by the state, a sort of corporatism imbued by clientelism. And there is a representation deficit that leaves the most vulnerable social categories and groups (women, the young, employees of small- and medium-sized enterprises, and migrants) without an institutional vehicle for interest aggregation and representation.

Explanations for the low quality of democracy were sought at the political-regime level. There are very few and weak checks and balances among the three “branches of government.” There is an institutional set-up that grossly
privileges the executive over the legislature and the justice system. Above all, there is intrusion and replication of party competition in almost all institutions (e.g., leading to extreme politicization of public bureaucracy).

In view of the above and given the severity of the economic and governance crisis, one may ask why has Greek democracy not de-consolidated, if not broken down? Possible answers to this question, which clearly call for research beyond the scope of this essay, include the following: anti-parliamentarianism is inchoate, while parties consume all available political space, crowding out any anti-system forces (small anarchist movements and other groups calling for the implementation of direct democracy). Even parties of the left, which regularly use a discourse of resistance and revolt, are integrated into day-to-day parliamentary politics. Even though the neo-Nazi Golden Dawn party gained parliamentary representation in 2012, the popularity of anti-fascist, anti-dictatorial ideas among student and labor unions is very high. However, as the elections of May and June 2012 have shown, the mainstream political parties, which since 1974 had grown on polarizing and politicizing almost all political and social institutions, are on a clear decline. In that respect, a transition to another democratic regime—to another Republic (i.e., a shift of the kind that Italy experienced in 1992-1994), may be under way.