

## Structure, Agents and Discourse in Managing Economic Crises: The Case of Greece, 2009-2017

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# Structure, Agents and Discourse in Managing Economic Crises: The Case of Greece, 2009-2017

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## ABSTRACT

This article focuses on the discursive frames used by policy entrepreneurs in Greece as they attempted to deal with the 2009 crisis and analyses the role played by discourse in handling the crisis' consequences. Adopting a historical institutionalist framework, I argue that ineffective policy outcomes can be attributed to a path-dependent logic enshrined in the country's political economy structures following the transition to democracy post-1974. Moreover, the reaction of policy entrepreneurs to the crisis was reinforced by their discursive logic of action, itself embedded in the state's institutional matrix. Procrastination, a refusal to face an uncomfortable reality and politics as usual colours the response of Greek actors to the country's biggest crisis in recent memory.

**Keywords:** Greece, Crisis, Political Economy, Institutionalism, Policy Entrepreneurs

## Ekonomik Kriz Yönetiminde Yapı, Yapan ve Söylem: Yunanistan Örneği, 2009-2017

## ÖZET

Yunanistan'da siyasetçilerin, 2009 kriziyle başa çıkmaya çalışırken kullandıkları söyleme odaklı bu makalede krizin sonuçları ele alınmakta ve söylemin oynadığı rol analiz edilmektedir. Tarihsel bir kurumsal çerçeve benimseyen yazarın temel savunusu, etkisiz politika sonuçlarının ülkenin 1974 sonrasında demokrasiye geçiş sonrasında yaşadığı siyasi ve ekonomik yapıda yer alan mantıkla ilişkilendirilebilir olduğudur. Politika girişimcilerinin krize tepkileri, devletin kurumsal matrisinin içine gömülü olan söylemsel eylem mantığıyla güçlendirilmiştir. Erteleme, rahatsız edici gerçekle yüzleşme ve politikanın her zamanki durumu da aktörlerin hafızaları da son en büyük krize tepkilerini şekillendirmede belirleyici olmuştur.

**Anahtar Kelimeler:** Yunanistan, Kriz, Ekonomi Politik, Kurumsallık, Siyasa Girişimcileri

## Introduction

The drawing of the curtain regarding the Greek crisis occurred in the spring of 2010. The freshly elected government requested international financial assistance in a context characterized by market panic and political helplessness. In exchange, it agreed to a programme of budgetary consolidation jointly designed and executed by the Troika of the European Commission, the European Central Bank (ECB) and the International Monetary Fund (IMF). The two sides signed a Memorandum of Understanding (MoU) aiming at a return to market borrowing by 2012 and a transformation of the country's regulatory environment. Seven years down the line and after two more agreements, the goals set out in that MoU have not been realized, the economy has plunged into the deepest recession the country saw in its post-war history and prospects of a sustainable recovery remain uncertain.

This article does not deal with the actual content of reforms as designed by the Troika and implemented by a series of Greek governments since,<sup>1</sup> but deals with the handling of the crisis by policy-makers. Concretely, it focuses on the discursive frames used by policy entrepreneurs in Greece as they attempted to deal with the crisis and analyses the role played by discourse in handling the crisis' consequences and repercussions. I adopt a historical institutional framework<sup>2</sup> and draw from the "critical junctures" literature, focusing on the role of policy actors. I argue that policy outcomes can be largely attributed to a path-dependent logic enshrined in the country's political economy structures and in line with the policy path it has followed since the 1980s. Moreover, the reaction of policy entrepreneurs to the crisis was reinforced by their *discursive logic of action*, itself embedded in the state's institutional matrix. Procrastination, a refusal to face an uncomfortable, ruthless reality and *politics as usual* colours the response of Greek actors to the country's biggest crisis since at least 1974. Action taken by the first crisis government (2009-11) was particularly important in this respect.

In what follows, I begin with an overview of path dependence, critical junctures and discursive institutionalism to locate the article in the ongoing debate regarding institutions, ideas, rationality and discourse in accounting for stability and/or change. The following two sections discuss structure and agency respectively, focusing in the period after 1981 regarding Greece's political economy and the role of successive governments since the outbreak of the crisis, including reactions by key political actors and their discursive attempts to engage in either blame-shifting or an outright denial of the crisis. The conclusion summarizes the article's main findings.

## Path Dependence, Critical Junctures and Discursive Institutionalism

Following the rediscovery of institutions as central to explaining policy outcomes, path dependence (PD) has acquired a prominent place in the relevant literature. The concept is employed by political scientists, sociologists and economists,<sup>3</sup> but its treatment differs depending on the context it is used. While for some it is synonymous to a "dynamic pattern of continuity that evolves as a result of its own

1 For a full analysis of the Eurozone crisis and its impact on the periphery see Owen Parker and Dimitris Tsarouhas, (eds.), *Crisis in the Eurozone Periphery: the Political Economies of Greece, Spain, Portugal and Ireland*, Basingstoke, Palgrave MacMillan, 2017.

2 Peter A. Hall, and Taylor C.R. Rosemary, "Political Science and the Three New Institutionalisms." *Political Studies*, Vol.44. No.5, 1996, p.936-957.

3 Paul A. David, "Clio and the Economics of QWERTY." *The American Economic Review*, Vol.75, No.2, 1985, p.332-337; Brian W. Arthur, *Increasing Returns and Path Dependence in the Economy*, University of Michigan Press, Ann Arbor, 1994.

past”<sup>4</sup> for others it suggests that “what happened at an earlier point in time will affect the possible outcomes ... occurring at a later point in time”<sup>5</sup>. Whatever the precise terminology, PD is closely related to the logic of “increasing returns”,<sup>6</sup> that is, positive feedback processes that reinforce actors’ tendency to stick with existing settlements so as not to jeopardise realized gains.<sup>7</sup>

A path-dependent logic exists among rationalist and constructivist institutionalist approaches as well. In rational choice thinking, institutions reflect compromises between utilitarian, rational and strategic actors who see in them the possibility of benefit maximisation through the resolution of collective dilemmas.<sup>8</sup> Increasing returns are pertinent here, since agents act on the basis of the logic of consequentiality that increases the costs associated with every step taken down a particular path.<sup>9</sup> When it comes to sociological institutionalism, *homo economicus* is replaced by a more social being who is mostly concerned with the reputational effects of her actions and who is loyal to the logic of appropriateness.<sup>10</sup> Choosing to continue down a trodden political path results from the conscious choices of actors regarding what is appropriate and legitimate. This choice is the result of actors’ subjective beliefs, norms and values about the appropriate framework of action.<sup>11</sup>

Path dependence is often associated with a historical institutionalist approach. Institutions are here meant to reflect past historical processes and the legacy they carry, both of which are key in shaping individual as well as collective interests.<sup>12</sup> When it comes to path dependence, historical institutionalism underlines ‘critical junctures’, major crises and shocks that are/can be turning points in political life and which shape the parameters within which subsequent political action occurs. Critical junctures can be turning points also in the sense of upsetting the current equilibrium and leading to radical change, as they offer the possibility of ‘thinking outside the box’ and radically altering the existing institutional configuration. Which of the two options, or any other in between them, becomes real is subject to empirical research.<sup>13</sup> It is in that context that the following sections will compare Greece’s policy trajectory taking into account not only the crisis but also the structural environment within which this occurred.

The latest addition to the new institutionalist literature, namely discursive institutionalism (DI), is very useful for the purposes of this study. It stresses the role of ideas in public policy-making,

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4 Paul A. David, “Path Dependence: A Foundational Concept for Historical Social Science”, *Cliometrica*, Vol.1 No.2, 2007, p.92.

5 William H. Sewell, “Three Temporalities: Toward an Eventful Sociology”, Terrence J. McDonald (ed.), *The Historic Turn in the Human Sciences*, Ann Arbor MI, University of Michigan Press, 1996, p.262-263.

6 James Mahoney, “Path Dependence in Historical Sociology”, *Theory and Society*, Vol.29, No.4, 2000, p.507-548.

7 Paul Pierson, “Not Just What, But When: Timing and Sequence in Political processes”, *Studies in American Political Development*, Vol.14, No.1, 2000, p.72-92.

8 Ellen M. Immergut, “The Theoretical Core of the New Institutionalism.” *Politics and Society*, Vol.26, No.1, 1998, p.5-34.

9 Pierson, “Not Just What, But When”.

10 Peter A. Hall, “Policy Paradigms, Social Learning, and the State”, *Comparative Politics*, Vol.25, No.3, 1993; Mark Blyth, *Great Transformations: Economic Ideas and Institutional Change in the Twentieth Century*, New York, Cambridge University Press, 2002; John L. Campbell, *Institutional Change and Globalization*, Princeton, Princeton University Press, 2004.

11 Mahoney, “Path Dependence in Historical Sociology”.

12 Kathleen Anne Thelen and Sven Steinmo, “Historical Institutionalism in Comparative Politics”, Sven Steinmo *et al.* (eds.), *Structuring Politics: Historical Institutionalism in Comparative Analysis*, Cambridge, Cambridge University Press, 1992; Kathleen Thelen, “Historical Institutionalism in Comparative Politics”, *Annual Review of Political Science*, Vol.2, No.1, 1999.

13 Giovanni Capoccia and Daniel R. Kelemen, “The Study of Critical Junctures: Theory, Narrative, and Counterfactuals in Historical Institutionalism”, *World Politics*, Vol.59, No.3, 2007, p.343.

seeing discourse as “whatever policy actors say to one another and to the public more generally in their efforts to construct and legitimate their policy programs.”<sup>14</sup> An interactive logic of communication is powerful, as actors generate and communicate and exchange ideas,<sup>15</sup> and discourse is divided to a communicative and coordinative part. The latter is about forming a common language on the part of policy groups to develop a common policy stance, whereas the communicative aspect relates to the “formulation, modification and elaboration of ideas to persuade the public.”<sup>16</sup>

Below I suggest that the eruption of crisis in 2010 constitutes a critical juncture for Greece, reinforced by the institutional environment shaped over recent decades. Moreover, the discursive logic followed by policy entrepreneurs in the country, focusing on political elites in particular, is a key factor in accounting for the handling of the crisis. Concretely, both the communicative and coordinative aspects of discourse were problematic in the Greek case, making change difficult to introduce, reinforcing patterns of inertia and setting up barriers to meaningful reform. Crucially, and although the first crisis government (2009-11) is naturally at the heart of the analysis below, the underlying discursive logic of political action did not differ drastically in subsequent years under successive governments of various ideological persuasions.

## The Role of Structure: Greece’s Political Economy

Policy outcomes at critical junctures are not solely down to choices made at the time: they are underpinned by the institutional context in which they occur, and the path followed at earlier periods. That path itself is subject to contingent events and reflects the input offered by political agents.

Greece’s democracy was restored in 1974, following a seven-year dictatorial regime, and started functioning properly for the first time ever since. Yet the consolidation of democracy was financed by way of expansionist economic policies, the nationalisation of economic enterprises and deficit-financed growth. This state-dependent economic paradigm was further reinforced following the first electoral win of the Panhellenic Socialist Movement (PASOK) in 1981 and continued, pretty much without change, for the entire decade. Whilst the international economic wind was blowing in the direction of public policy reform emphasizing productivity and efficiency, PASOK defied the need for long-term policy reforms and was repeatedly rewarded in the polls.

An oversized bureaucracy with minimal accountability, client-patron relations, nepotism in public office and fear of change due to electoral cost have been core characteristics of Greek public policy for a very long time. In fact, it is doubtful that after seven years of crisis these phenomena have been dealt with in a sustainable manner. Nonetheless, the depth of these phenomena in the 1980s acquired massive dimensions, and led to their repetition in subsequent decades and regardless of the party in office. What is more, the external constraint mechanism of the EU, which Greece joined in 1981, did little to avert this path. To name the most obvious example, Greece was formally warned in the early 1990s that its high inflation, debt and deficit levels –underpinned and reinforced by delays in reforming its labour market and pension policies– undermined the viability of EMU and

14 Vivien A Schmidt, “Does Discourse Matter in the Politics of Welfare State Adjustment?”, *Comparative Political Studies*, Vol.35, No.2, 2002, p.169.

15 Vivien A. Schmidt, “Discursive Institutionalism: The Explanatory Power of Ideas and Discourse”, *Annual Review of Political Science*, Vol.11, 2008, p.303-326.

16 Schmidt, “Does Discourse Matter”.

the country's place in it.<sup>17</sup> Sporadic attempts were made in the 1990s and 2000s to address some of the country's chronic problems. The banking sector was liberalised and modernised,<sup>18</sup> leading to new market opportunities for bank conglomerates to expand towards lucrative markets in Greece's neighbourhood. Yet in terms of much-needed public policy reforms, the country's record remained deplorable. Changes in the labour market to reward productivity and pension reform to ensure the public yet sustainable character of social security were defeated by a combination of short-termism, obstructionism and an inability to persuade fellow policy entrepreneurs about the need for change.<sup>19</sup> Once the country embarked on a statist/non-reform path in the 1980s, a logic of 'increasing returns' kicked in and *all* governments either refused to engage in reform or did little to avert the coming crisis.

In the Greek case, what was required was the *transformation* of a statist or state-dependent political economy to one aligned with demands made by the EU and the IMF, however irrational or inappropriate the latter may have been. A fragmented and inconsistent political discourse undermined the viability of the reform effort almost from the start, and that discourse is not merely the result of habitual attitudes, prior learning and cost-benefit electoral/party political rationality. It also highlights the significance of political agency in handling contemporary and often unexpected shocks in a way that will maintain economic and therefore socio-political stability.

## **The Role of Agency: The Greek Governments' Discursive Response to the Crisis**

### ***The First Crisis Government: Context and Reaction***

After winning the 2009 general election, PASOK announced that the deficit figure previously reported to the EU had been inaccurate: instead of a 3.7% deficit, the new government reported the real figure to be 12.7%. In fact, later revisions pushed the deficit figure even higher and mutual accusations between government and opposition as to the reasons behind this revision continue to this day. The fact that the country had been warned only a few months earlier regarding the need for measures to curb its deficit only made things worse.<sup>20</sup> The new government's announcement took place in a fragile international environment following the collapse of Lehman Brothers, the onset of the credit crunch and fears that the subprime mortgage crisis would spread to Europe and the Eurozone in particular. In that context, the handling of the crisis by Greek policy entrepreneurs becomes a case study of mismanagement.

The Greek state's response at the dawn of the crisis was characterised by delays, inertia and inconsistencies that undermined crisis management efforts for years to come. First, policy makers fatally underestimated the salience of their announcement on the real deficit levels regarding the

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17 Kevin Featherstone, "Greece and EMU: Between External Empowerment and Domestic Vulnerability", *JCMS: Journal of Common Market Studies*, Vol.41, No.5, 2003, p.923-940.

18 George Pagoulatos, *Greece's New Political Economy: State, Finance and Growth from Postwar to EMU*, London, Palgrave, 2003.

19 Kevin Featherstone, and Dimitris Papadimitriou, *The limits of Europeanization: Reform Capacity and Policy Conflict in Greece*, London, Palgrave, 2008; Dimitris Tsarouhas, "The Political Origins of the Greek Crisis: Domestic Failures and the EU Factor", *Insight Turkey*, Vol.14, No.2, 2012.

20 Πόνος Καζάκος. *Μετά το Μνημόνιο: οικονομική πολιτική στην Ελλάδα υπό οικονομικό έλεγχο*, Athens, Papazisis, 2011, p.20.

country's ability to maintain its borrowing capacity. As a result of its Eurozone membership, Greece was borrowing in international markets on terms similar to those enjoyed by states such as Germany. This was a luxury the country had ceased to enjoy by early 2009, as spread yields started moving upwards. Although a possible crisis was therefore becoming more of a possibility with each passing day, the PASOK government announced the revision without mentioning any potential measures it was willing to take to avert a full-blown crisis! It was only in March 2010, five months after the announcement, that the government passed the first set of serious measures designed to “defend the economy and face up to the fiscal crisis.”<sup>21</sup> By that time, valuable time had been lost, not least in the context of the EU's own failures.

Second, behind the long delay in taking measures lies the fact that policy makers believed (or appear to have believed) that “politics as usual” was still an option. The policy line followed by the government, including the Prime Minister, was to blame global speculators.<sup>22</sup> The message sent was that, in effect, the government was not in control of unfolding events, as global capitalism would need to be amended first! Rather than attempt to display decisiveness, not least to gain much-needed allies within the EU (itself riddled with uncertainty and hesitation in the face of the coming financial Armageddon), the government wanted to prove that it remained loyal to its pre-election spending promises. This is not to suggest that the Prime Minister was wrong in attributing part of the blame to speculation, or indeed the very real design flaws of the “Maastricht architecture” that the Greek crisis helped expose. Yet his role as Prime Minister dictated a different set of priorities and policy announcements. The 2010 budget serves as the best example of the attempt to stick to pre-election pledges. Next to the goal of bringing down the deficit and introducing *ad hoc* tax measures to reinforce the revenue side of public coffers, the Ministry of Finance also foresaw an *increase* in farmers' pensions, a 1% state contribution to the country's largest social insurance fund, and more spending for health and education. As the Finance Minister put it, the 2010 budget aimed *inter alia* at “supporting people's income by offering above-inflation wages and pensions increases, the financial support of the most vulnerable ... [and] the *increase* of public spending on investment, education and health.”<sup>23</sup>

Third, the mixed signals emanating from statements and announcements of the country's political personnel made the articulation of a coherent political narrative impossible. On the one hand, the government declared that it was fully aware of the situation. In a CNBC interview in December 2009, Prime Minister Papandreou declared that his government's ‘top priority’ was to reduce the country's debt and deficit levels.<sup>24</sup> Yet at the same time, the government announced extra measures of support for certain occupational groups: speaking to his party's parliamentary group only eight days after the CNBC interview, the Prime Minister declared that tax returns towards farmers was going up

21 Official Gazette, “Προστασία της εθνικής οικονομίας – επείγοντα μέτρα για την αντιμετώπιση της δημοσιονομικής κρίσης” (ΦΕΚ) Α'40/15.3.2010. [http://www.epdm.gr/Uploads/Files/nomoi\\_kya/N\\_3833\\_2010.pdf](http://www.epdm.gr/Uploads/Files/nomoi_kya/N_3833_2010.pdf) (Accessed on 10 February 2015).

22 Καζάκος, p.26.

23 Hellenic Ministry of Finance, *Executive Summary Budget Preview: State Budget 2010*, Athens. [http://www.minfin.gr/contentapi/f/binaryChannel/minfin/datastore/db/0a/16/db0a16f55925467eefae335d7eb47c9f45b699ed/application/pdf/exec\\_sum\\_2010.pdf](http://www.minfin.gr/contentapi/f/binaryChannel/minfin/datastore/db/0a/16/db0a16f55925467eefae335d7eb47c9f45b699ed/application/pdf/exec_sum_2010.pdf) (Accessed on 28 April 2011), p.1, emphasis added.

24 Prime Minister's Press Office, ‘Συνέντευξη πρωθυπουργού Γιώργου Α. Παπανδρέου στο CNBC και στη δημοσιογράφο Caroline Cimenti’, 11 December 2009a. <http://www.primeminister.gov.gr/2009/12/11/433> (Accessed on 17 November 2012).

from 7% to 11%, that the Public Investment Programme would be receiving an extra €4.2 billion in the upcoming budget, while an extra €1 billion would be spent on the health service.<sup>25</sup> Three months later, the European Council asked the Greek government to “remove the risk of jeopardising the proper functioning of Economic and Monetary Union.”<sup>26</sup>

The Greek discursive track caused confusion and uncertainty. Interest rates and bond yields rises after early 2010 became prohibitive and the search for a short-term solution in financing the country’s debt became desperate. According to the personal account of (then) IMF Managing Director Dominique Strauss-Kahn, Papandreou had turned to the IMF already in 2009 asking for assistance.<sup>27</sup> Following a request to the EU and a Letter of Intent to the IMF in April and May 2010, respectively, the Greek government signed a Memorandum of Understanding, committing itself to a whole range of socio-economic and fiscal reforms.

Although not many, least of all the Greek government, mentioned this aspect of the agreement at the time, the truth remains that the agreement was calling for a radical transformation of Greek political economy. Troika representatives would now require tri-monthly progress reports by Greek officials and their reports would determine whether the government would be entitled to the next tranche of money to finance its debt. Conditionality was locked in the agreement, and the power asymmetry between the two parties meant that a new era was starting for Greece.<sup>28</sup> Though such external bailouts were not a new phenomenon in its history, Greece had assumed that EU membership meant an upgrading of its political and economic status with no return to its troubled economic past. Reality proved much harsher.

The scope and depth of change required by the Troika was immense. A few of the required changes could take place immediately, such as the reorganisation of the statistical agency and the introduction of a Budget Office.<sup>29</sup> Many more, however, would require time and a lot of effort: reforming the tax system, introducing quantifiable indicators in the civil service and introducing New Public Management (NPM) techniques in the Greek administration were difficult tasks.

Certain successes have been registered over time. The 2010 pension reform is among them, not least because of the prior bitter experience on the issue.<sup>30</sup> The 2010 reform offered a basic state pension next to occupational benefits, equalised male and female age-eligibility rates and withdrew many of the old privileges of pensioned civil servants. In line with provisions elsewhere in Europe it also made a portion of future pension earnings dependent on GDP development. As Tinios shows, it was by no means a perfect change and some issues remained unresolved, but it

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25 Prime Minister’s Press Office, ‘Όμιλία του πρωθυπουργού και πρόεδρου του ΠΑΣΟΚ Γιώργου Α. Παπανδρέου στη συνεδρίαση της κοινοβουλευτικής ομάδας του κινήματος’, 19 December 2009. <http://www.primeminister.gov.gr/2009/12/19/502> (Accessed on 24 January 2013).

26 Council of the European Union. *Council Recommendation with a view to ending the inconsistency with the broad guidelines of the economic policies in Greece and removing the risk of jeopardizing the proper functioning of the economic and monetary union*. 6145/10 Brussels, February 16, 2010.

27 Gertrud Höhler, “Griechenland verliert einen wichtigen Verbündeten”, *Handelsblatt*, 15 May 2011. <http://www.handelsblatt.com/politik/international/affaere-strauss-kahn-griechenland-verliert-einen-wichtigen-verbundenen/4176530.html> (Accessed on 18 November 2012).

28 Καζάκος, p.26.

29 Ibid. p.89.

30 Platon Tinios, “Pension Reform in Greece: ‘Reform by Instalments’ – A Blocked Process?”, *West European Politics*, Vol.28, No.2, 2005, p.402-419.

achieved a rare success: to respond to the challenge of reform imposed by the Troika, and to do so within a specified time frame.<sup>31</sup> Already then, however, one could detect some of the reasons behind the subsequent derailing of the reform effort and the inability of Greece to exit the crisis. The responsible Labour Minister Loverdos was alone in arguing the case for reform: his colleagues hid behind him in refusing to associate themselves with the kind of (electorally painful) change introduced. As the reform suffered from a coordinative point of view, it also had serious deficits in its communicative content: the government couched the need for change in economic terms and neglected the fact that the then existing pension system was unjust and inequitable, privileging the few over the majority of pensioners.<sup>32</sup>

The example above illustrates a wider, significant point: policy makers failed to develop a discursive strategy on the reform front and therefore legitimize inevitable changes. The logic behind such a plan was plain to see: this was a country that had for many decades exploited mostly borrowed resources for the purpose of consumption at the expense of productive investment. It was now time to change priorities and develop new productive capacities, as well as reform many of the failed aspects of the old system. However, introducing reforms in times of crisis is never easy: popular opposition is high, established practices get challenged and old certainties are questioned. Not least because of that, policy reforms are premised on a cohesive, consistent and clear political discourse that signals both determination for change and an ability to implement it. At least up to a point, the Greek administration could count on popular tolerance of its austerity course and could have made use of that window of opportunity to use the kind of political discourse discussed above. Until well into 2010, polls suggested that the public had not lost all faith in the government. The 2010 local election results, in which PASOK performed well and its mayoral candidates won in the country's two largest cities, Athens and Thessaloniki, suggested as much. After all, the government's argument that the previous centre-right administration was to blame for the mess still resonated with the public.<sup>33</sup>

The government's failure was discernible both at a coordinative and communicative discursive level. On the coordinative front, senior party officials and even government ministers did not abide by the stance adopted by the party after May 2010, which characterised the reforms introduced as 'inevitable' and therefore 'essential' if the country was to survive the storm. The fact that the government would from now on be obliged to report to outsiders was a particular source of irritation, and so was the fact that old-style politics had to be abandoned in the face of the imminent bankruptcy threat. A few indicative disputes highlight the problem from a discursive institutionalist point of view. In March 2010, PASOK Parliamentary Spokesperson Papoutsis indirectly accused Deputy Economy Minister Sahinidis of adopting 'right-wing ideological philosophies' and reminded him that he was a Cabinet member of a socialist administration.<sup>34</sup> A few months later, Transport Minister Reppas burst out against Finance Minister Papaconstantinou following rumours that a privatisation wave in transport

31 Platon Tinios, "The Pensions Merry-Go-Round: End of A Cycle?", *From Stagnation to Forced Adjustment: Reforms in Greece*, 2012, p.1974-2010.

32 Tsarouhas, "The Political Origins of the Greek Crisis".

33 Susannah Verney, "The Eurozone's First Post-bailout Election: the 2010 Local Government Contest in Greece", *South European Society and Politics*, Vol.17, No.2, 2012, p.195-216.

34 'Παπουτσήs εναντίον Σαχινίδη', 5 March 2010, <http://www.enet.gr/?i=news.el.article&id=138455> (Accessed on 10 October 2012).

was imminent. Leaving no doubt as to the depth of his disagreement with the reform policies, Reppas stated: “Greece, PASOK, and [our] values existed before the Memorandum [was signed], will exist afterwards too and no one should be oblivious to that.”<sup>35</sup> In February 2011, Economy Minister Katseli argued that the Troika was stepping over its mandate. The day after, the government spokesperson tried (in vain) to convince the astonished press corps that the Minister was committed to the reform process.<sup>36</sup> A few months later Katseli resigned.

The communicative discourse of the government was hardly any better. Forced by the Troika it began introducing reforms whilst denouncing them at the same time. In 2011, the Prime Minister reshuffled the Cabinet in an apparent attempt to strengthen his position. His choice for Deputy Economy Minister was a traditionalist PASOK MP that had denounced the Memorandum until then.<sup>37</sup> The incident is similar to the conduct of one of his successors as Prime Minister Samaras. Further, the Prime Minister argued that the changes introduced were against the party’s principles but had to be introduced so as to save the country. Again, the same rhetoric was employed by SYRIZA leader and Prime Minister Tsipras after the third bailout agreement he agreed to in the summer of 2015. In a speech delivered to the parliamentary party in October 2011, Papandreou stated that once economic conditions improve “We will act to reverse some of the injustices that have been made lately. And it is indeed our obligation to correct every mistake we see, every injustice which takes place, maybe because of the hastened steps [taken], maybe because of the time pressure.”<sup>38</sup>

The high degree of inconsistency in the administration’s narrative multiplied its problems and contributed to its downfall. By undermining its credibility both domestically and in the EU, the confused and inconsistent discourse led to PASOK’s downfall by 2012. Further, policy entrepreneurs committed the fatal mistake of following a two-track communicative discourse: one for internal consumption and one addressed to the Troika. It was a recipe of failure – and yet was continued throughout the crisis by successive administrations!. To illustrate, government officials claimed that they had ‘saved’ the 13th and 14th salary in the private sector, an old employee entitlement, from the Troika’s relentless pursuit to scrap it. No such proposal was actually being made by the Troika<sup>39</sup> and by claiming fake victories the government was adding to the weight of pressure it would soon face. On labour law reform, the government kept on pronouncing its determination to defend sectoral collective agreements despite the fact that it had committed itself to make local-level agreements supreme. Until December 2010, the moment during which the law was finally enacted, the Labour Minister was claiming the exact opposite.<sup>40</sup>

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35 Reppas cited in P. Sokos, and K. Laskarelias, “Ξέσπασμα Ρέππα κατά Παπακωνσταντίνου”, *Eleftherotypia*, 6 July 2010, <http://www.enet.gr/?i=news.el.article&id=180445> (Accessed on 26 September 2010).

36 “Κάλυψη Πεταλωτή σε Κατσέλη για την τρόικα”. *Eleftherotypia*, 2 February 2011, <http://www.enet.gr/?i=news.el.article&id=247585> (Accessed on 10 January 2013).

37 Nedos, “Κερδισμένοι και διασωθέντες”, *Kathimerini*, 19 June 2011, [http://news.kathimerini.gr/4dcgi/\\_w\\_articles\\_politics\\_2\\_19/06/2011\\_446380](http://news.kathimerini.gr/4dcgi/_w_articles_politics_2_19/06/2011_446380) (Accessed on 25 July 2011).

38 G. Papandreou, “Ομιλία του πρωθυπουργού και πρόεδρου του ΠΑΣΟΚ Γιώργου Α. Παπανδρέου στη συνεδρίαση της κοινοβουλευτικής ομάδας του κινήματος”, 2011, <http://archive.pasok.gr/portal/resource/contentObject/id/b494ccb8-b49f-40d1-8f23-6e2405bba434> (Accessed on 23 February 2013).

39 Καζάκος, p.115.

40 Ibid. p.117.

## 2011-2017: Trotting Down the Same Path

By late 2011, the Papandreou government was unable to handle the crisis. The Troika was sceptical of the administration's commitment to the programme, while the party's popularity was in free fall as austerity was eroding incomes and unemployment was reaching record highs. Meanwhile, the opposition was up in arms; cornered externally and domestically, Papandreou's idea to subject further austerity to a popular referendum caused an outcry in Paris and Berlin forcing him to resign and be replaced by a technocratic government headed by former ECB Vice-Governor Papademos.<sup>41</sup> Soon fresh elections had to be called. Successive electoral contests in 2012 finally led to the formation of coalition governments, a new feature in Greece's political landscape. From 2012 to 2015 the country was governed by coalitions with the centre-right *Nea Dimokratia* party (ND) at their core. ND leader Samaras served as Prime Minister until 2015, to be replaced by the next coalition between the radical left SYRIZA and populist right Independent Greeks. During the last five years of the crisis a whole series of important events have occurred, including the collapse of the old two-party system, the rise of the far right as a parliamentary force and rising Euroscepticism. Moreover, successive elections have produced different government stemming from diverse ideological traditions and, superficially at least, very different readings of the crisis and its causes.

Yet what is remarkable, and directly linked to this article's main line of enquiry, is the utter failure of *all* administrations to utilize a proactive discourse of reform that will allow the country to circumvent at least some of austerity's most bitter consequences.<sup>42</sup> The Samaras and Tsipras governments have much more in common than either of the two would care to admit. Both have reversed course regarding their approach to the Troika programme before and after assuming office; both have denounced their predecessors as fully responsible for social and fiscal dislocation; both have practiced a communicative discourse characterized by the inconsistencies of the first crisis government, and have been hesitant to fully endorse reforms once rhetorically committed to them. The conflicting messages identified by Featherstone continued apace.<sup>43</sup>

A few examples from each administration suffice to illustrate the point. After elected as leader of New Democracy, Samaras launched a vociferous attack against the Papandreou administration and vowed never to accept the Memorandum and its consequences.<sup>44</sup> Soon isolated by his EU counterparts and following defeat in the 2014 EP elections, Samaras made an impressive U-Turn and sought to implement successive programmes by way of TINA (There Is No Alternative) logic. The anti-austerity discourse was now becoming dominant in Greek society and in the absence of a countervailing story soon became the only available frame through which to understand and explain the country's plight. Never far from populist slogans or acts, Samaras sought to please the party's base when reshuffling the government in 2014. Many of the new Ministers joining the Cabinet had been long identified

41 Michael Georgiou Arghyrou, "The Global Financial Crisis in Greece: Its Background Causes, Escalation and Prospects for Recovery", *The Global Financial Crisis and its Budget Impacts in OECD Nations: Fiscal Responses and Future Challenges*, 2015, p.255-283.

42 This was and remains difficult of course, not least in the context of punitive austerity and a series of flaws in the rescue programme as well as the design of the Eurozone's larger architecture. However, the fact that at the time of writing Greece remains the only programme country and that the likes of Ireland, Cyprus and (especially) Portugal have escaped the shackles of the Troika speaks volumes about the specifics of Greece's flawed approach.

43 Kevin Featherstone, "The Political Challenges of Institutional Reform in Greece", *Policy Network*, No.11, 2014.

44 Y. Loulis, *Πού οδηγείται η Ελλάδα: Η χρεοκοπία του κοιμματικού συστήματος (Where is Greece Heading to: The Party System's Bankruptcy)*, Athens. Kastaniotis Publishers, 2012.

as belonging to the ‘anti-reform camp’<sup>45</sup> and lost little time in repeating such argumentation after assuming governmental responsibility.

The SYRIZA-led administration has performed equally badly, if not worse. Tsebelis points to the fact that, soon after getting elected in January 2015, leading government officials adopted a “strategy” of conflicting argumentation regarding their unwillingness to continue the programme’s implementation.<sup>46</sup> Democratic (“we have been elected to end austerity”), geopolitical (“we can turn to Russia for support”) and security-related arguments (“we can flood Europe with jihadists if you push us”) were placed in a curious mixer out of which emerged capital controls, a major governmental crisis, an ill-fated referendum and yet another extension to punitive austerity after the summer of 2015. Prime Minister Tsipras, who just like his predecessor was determined to “tear down the Memoranda” in opposition, changed course after his September 2015 re-election.

## **Conclusion**

This article made use of an institutionalist framework to account for the discursive inconsistencies and flawed messages emanating from Greek policy entrepreneurs during the crisis. I argued that structures seen through the lenses of path dependence are important in framing the context within which policy makers can react, or feel they can react, to shocks. When the crisis hit and subject to the statist policy path opened in the 1970s followed through by successive governments, the possibility of structural change became difficult to implement. Second, I argued that the role of agents – that is, key policy makers – endowed with authority and the ability to handle it, are crucial in helping us further understand policy outcomes.

A weak, inconsistent and fragmented policy discourse on reform employed by Greek political entrepreneurs collapsed in the face of popular disbelief and internal disunity after the first crisis government’s term in office. The first “crisis government” was crucial, setting the tone for the ones that followed, trapped in a policy discourse that disavowed reforms whilst claiming to advance them when communicated at international level. This policy behaviour became a pattern loyally followed by all governments since, disenfranchising reformists and locking in an array of missed opportunities. Eight years into the crisis, little has changed in this regard and little is expected to change in the years that will follow.

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45 C. Terzis, “Διπλό μήνυμα από τον κ. Αντ. Σαμαρά” (*Double Message from Mr. Samaras*), *Kathimerini*, 11 June 2014, <http://www.kathimerini.gr/770923/article/epikairothta/politikh/diplo-mhnyma-apo-ton-k-ant-samara>, (Accessed on 20 February 2018)

46 George Tsebelis, “Lessons From the Greek Crisis.” *Journal of European Public Policy*, Vol.23, No.1, 2016, p.25-41.