

ACCOUNTABILITY IN POLITICS: THE CASE OF GREECE

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1. Main problems within the country

Greece has always suffered from weak political accountability. The root causes of this negative picture were laid in the extensive statism, the weak institutions, the non-implementation of structural reforms, clientilism, corruption and the non-respect of the rule of the law.

The extensive statism

Over the past 30 years we have seen the Greek state in various roles:

- To participate in the production of agricultural products, industrial products (sheets, weapons, chemicals, submarines) and services (air, rail, hotel, gambling, casinos, banking)
- To impose maximum prices on a number of basic goods
- To control the entry of new entrepreneurs in certain professions

The managers of State Organizations and Enterprises were (and still are) usually frustrated politicians, who used to manage these SOEs not according to market criteria (e.g. efficiency), but based on political considerations aiming at their future election in the Greek parliament.

Until recently, concepts such as competition, entrepreneurship, efficiency, effectiveness, profitability and competitiveness were inexistent in the public dialogue, and if one claimed them, he/she immediately had the "curse" of being "free marketer".

The Weak institutions

Institutions are the most valuable inputs of accountability. Only when institutions function, the state operates effectively and serves the interests of its citizens. However, in the years following the Greek dictatorship (1974), there were no strong institutions in Greece. Or if there were institutions, these were not well designed. Some noticeable examples include the Greek Statistical Authority (which was converted into a data manipulation tool), the lack of competitive markets, the frequency of new tax laws, the laws on higher education etc. Moreover, good formal institutions were either not implemented or altered in practice. A typical example is the provision of the Constitution regarding expropriations. Its non-implementation contributed to a general liquidity of property rights. In its turn, this affected the inflow and the quality of Foreign Direct Investments in Greece. Another example is the creation of independent administrative authorities. Although these represent important institutions within a country, in Greece there is some disharmony

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between them, caused by the difference in their legal status. Only some of them are established constitutionally (The Data Protection Authority, the National Council for Radio and Television (NCRTV), the Hellenic Authority for Communication Security and Privacy, the Ombudsman and the Independent Council of Personnel Selection (ASEP). Others e.g. the Hellenic Competition Commission, the National Telecommunications and Post Commission (EETT) are not. For the latter ones, there are several doubts about their real independent status, since their heads are appointed by the government and not by the parliament.

Clientilism

Clientilism played also a role towards weak political accountability. Entrepreneurs had requests for selective protection and support mechanisms and workers had requests for special benefits. So everybody had close relations with the state, because the state was their main client. And politicians had more votes and sometimes illegal economic benefits. The socialist governments of the '80s played an important role in the consolidation and legitimation of this situation and also cultivated the illusion that the state support and protection would continue in the future, perhaps with other means.

The non-implementation of structural reforms

Before the arrival of the economic crisis and the adoption of an EU-IMF program in May 2010, there was no decisive political will to implement structural reforms. Politicians used to behave as entrepreneurs, operating rationally, thus serving primarily their own interests, i.e. maximizing the political profits i.e., votes. They were in a constant interaction with all kinds of vested interests and used to overlook the "public interest".

Furthermore, the public sector unions used to achieve advantages far bigger than the private sector and used to enjoy "generous" advantages in terms of working time regulation, workload, paid holidays, pensions coupled with early retirement rules and many more. The unions used to oppose vigorously any move to more accountability. In 2007, for example, Marietta Giannakou, the education minister at that time, lost her seat at the next election because she insisted on accountability for teachers and professors. Her predecessors shared the same experience.

Corruption

Corruption is a known phenomenon in Greece, taking place in state and in funding of political parties. According to the General Inspector of Greek Public Administration, only 1% of corruption in Greek public sector is detected and Greek state fraud losses from corrupted public servants are estimated to 20 billion Euros annually (Newspaper Kathimerini, May 29th, 2010). Also delays in judicial processes are a common feature. According to 2013 Transparency International Corruption Perceptions Index (CPI), Greece had 40 CPI score (ranked 80 out of 177 countries) which indicates medium to high degree of public sector corruption as perceived by business people and country analysts. CPI score ranges between 0 (highly corrupt) and 100 (very clean).

The “party-state” in Greece and revelations of corruption has caused in the past the fall of former prime-minister Andreas Papandreou in 1989 and forced a re-examination of some of the basic characteristics of the Greek party state (Featherstone, 1990). Political party funding came under scrutiny as concerns grew that the largest Greek political party during 1996-2004, PASOK, and members of parliament from the same political party, probably were involved in illegal funding.

The most widely publicized example of political corruption is a currently jailed formerly Greek politician who served as a minister in several cabinets between 1981-2004, also a founding member of political party. On July 2011, accusations of economic scandals and off-shore companies, led Greek Parliament to vote in favor of pressing charges against him and charged him for the attempt to pass off money obtained through illegal means as legitimate. Also accusations led the president of his political party to expel him from the party on April 2011. He was involved in bribes from German electronics companies as Minister for National Defense during 1996-2001 in relation to the purchase of submarines. On April 2012, he was arrested and sent to jail on charges of money laundering.

But corruption is also evidenced in the public sector; According to a 2012 audit carried out by the Ministry of Labour, 200,000 main and supplementary pensions were found to be fraudulent and their cancellation has resulted in a net benefit to the long-suffering state-owned pension funds of 750 million euros per annum. The audit found that many people were illegally receiving pensions for over two decades, while interestingly, after their cancellation, only seven or eight people turned up to reclaim them (Kathimerini, 24 April 2012). Another audit conducted by the Ministry of Health showed that on the island of Zakynthos, of the 700 people receiving the ‘blindness benefit’ (2 % of the island’s population compared with 0.6 % on a global basis according to the World Health Organization), only 100 turned up to claim the benefit as part of the audit, of which 60 were found not to be blind (Wall Street Journal, 3 April 2012).

The non-respect of the rule of the law

Another black spot of modern political economy in Greece is the lack of respect towards the laws e.g. non-application of anti-smoking law, the occupation of streets, public schools and universities by small groups of people during a political demonstration.

1.a. The impact of EU accession

The impact of EU accession on Greece was twofold. First, it put pressure on the Greek governments to implement institutional reforms and therefore to increase the degree of commitment and credibility of policy makers, reducing thereafter the degree of uncertainty in the economy. For example, Greek governments were supposed to achieve the targets of the Stability and Growth Pact, to participate in "mutual monitoring" and to provide relevant data to Eurostat. They were also pledged to implement three Regional Development Plans and draft budgets. Second, it has contributed to the ideological convergence among different political parties.

Concepts such as “macroeconomic stability” , “sustainability”, “efficiency”, “restructuring”, “flexibility”, “liberalization: and “privatization” are now included in the dictionaries of both right-wing and left-wing parties. Economic and real convergence, therefore, has resulted in an impressive ideological convergence.

But the EU external inducement had limits before and after the introduction of Euro. For example the two medium-term stabilization programs (1985-87, 1991-93) agreed on IMF like conditionality terms failed and were early abandoned. The longer-term convergence program in the 1990s turned out to be fragile and was reversed after the introduction of Euro. In the decades before and after EU-entry, stabilization and reform run-ups have been stalled or were quickly followed by setbacks (1987-90, 1993-1994) or periods of uncertainty (1995-1996 and, again, 2001-2004 and 2007-2009) due to the resilience of domestic factors.

Therefore, it seems that is not EU accession, but the deep crisis and recession that has induced a decisive swift away from the institutions and practices of statism and rent-seeking behavior to a new pressure of undertaking liberal reforms. According to Krueger (1993) and Ranis and Mahmood (1992), economic reforms are undertaken when economic conditions deteriorate sufficiently so that there is a political imperative for better economic performance. Resistance to vested interests can be overcome when the system has no way of avoiding the required adjustment.

1.b. Relationship between politics and economy

A common practice of governments in recent years in Greece, is time incostistency, i.e. the lack of correlation between pre-election announcements and post-election operations. An example of this practice is the pre-election announcement not to impose additional taxes. To justify this inconsistency, the ruling parties usually claim that before elections they had a different picture of the economy compared to the one they find after elections. So private operators are surprised and confused but the government loses its credibility, which is one of the strongest tools of economic policy.

Another example of the interaction between politics and the economy, is the manipulation of the economy by the ruling party in order to win re-election, especially in periods of political instability (Rogoff 1990). For example, a huge tax rebate in an election year during past decades could be an attempt by the sitting government to win voter support. In periods of greater political instability (e.g. in 1981, in 1989 and in 1993 when the ruling parties lost control of the government) the rise of deficits and expenditures were among the largest. Therefore a positive correlation was reveled: the greater the expected loss of the ruling party, the greater the relaxation on public spending.

These interactions, among others, between mandate holders, lawmakers, bureaucracy, mandate-issuing voters and interest groups such as media, represent key players in the reality of Greek politics and the Greek economy. Each of these groups, defended their status quo against any reform. In this context, the anomalies

and rigidities of the various markets in Greece's economy (labor market, tax system, product market), have roots in closed or semi-closed markets, the political market itself included, and therefore limiting market competition.

2. Relations between politics and civil society

The notion of civil society is inextricably linked to democracy: "a robust civil society, with the capacity to generate political alternatives and to monitor government and state, can help start transitions, help resist reversals, help push transitions to their completion and help consolidate and deepen democracy" (Linz & Stepan, 1996).

A widespread perception of high-level corruption, acute popular dissatisfaction with government performance in the past and the prevalent impression that politicians' agenda does not reflect that of Greek citizens seem to indicate that civil society in Greece has fallen short in its social accountability function.

The civil society sector is a crucial part to the solution of problems such as accountability, corruption and parliamentary weakness in Greek politics. There is a low level of Greek citizens' engagement in civil society organizations where people learn to socialize, cooperate, debate and develop collective action that makes politicians more responsive and accountable to citizens. Also, there is a poor cooperation between civil society and the state because government officials used to consider themselves to be the only legitimate advocates of the public interest and so they ignored the need to provide adequate regulatory framework to enable Non-Government Organizations as transparent and equal partners. The adoption and implementation of a better, more transparent and accountable legal framework that institutionalize the rules of interaction between Greek government and civil society will promote democratic opportunities for collective action.

3. Recommendations

In democracies, elections are the primary mechanism for disciplining public officials, but they are not sufficient. Separation of powers between the executive and the legislative bodies also helps preventing the abuse of power, but only with appropriate checks and balances.

To increase accountability in politics, Greece could fully implement the '*Business Principles for Countering Bribery*' released by Transparency International, which aims to engage the private sector in anti-corruption efforts. An anti-corruption program should also target areas such as political contributions, charitable contributions and sponsorships, gifts, hospitality, and expenses.

Moreover, Greece has to update its anti-corruption laws, perhaps by considering implementing a regulation like the *UK Bribery Act*. Such legislation could (i) criminalise direct and indirect acts of general bribery (including commercial bribery) and the bribery of foreign officials and (ii) exercise broad jurisdiction over all individuals and corporate entities in Greece.

There is a need for implementation of a regulatory framework and reforms about disclosure of funding sources and bans on foreign donations in Greek political parties and the introduction of a code of ethics for ministers and lawmakers. In Greece, main sources of revenues for two major political parties are public subsidies and bank loans. Two major political parties for decades in Greece, used their share of free public money as collateral for 250 million Euros in loans that are not being repaid up to now.

Public subsidies decreased during 2009-2011, as a result of the Greek fiscal crisis but yet measures also have to be taken to increase accountability and stop conduit contributions. According to Law 3023/2002, banks' cannot deny the acceptance of deposits above the limit of 15,000 Euros for political parties and 3,000 Euros for members of parliament or candidate members of parliament but it is recommended to contact and inform them. A conduit contribution is a political donation made through someone else. The individual making the contribution acts as a straw donor in order to conceal the identity of the real donor and the true source of funds. Conduit contribution scheme is designed to circumvent political contribution limits and violate Law 3023/2002.

Greek political parties should follow an accounting system based on revenues and expenditures financial statements annually and publish them each year. Especially during election period, they should publish revenues and expenditures financial statements two months after elections (Law 3023/2002). But this is not really happening up to now.

Another solution could be to implement a *Conflict of Interest Act* for Ministers and Parliamentary Secretaries to uphold the highest ethical standards so that public confidence and trust in the integrity and impartiality of government are maintained and enhanced. The *Conflict of Interest Act* will establish a rigorous statutory regime for all public office holders. Also politicians (Ministers, Parliamentary Secretaries, high positioned politically exposed persons) must be prohibited from engaging in paid lobbying and enterprises engaging with Greek government for five years after leaving office. The more accountable a real-existing democracy is, the higher the quality of its performance will be.

Finally, strong institutions supported by structural reforms are a necessary condition for increased accountability in Greece. Take for example the recently created Parliamentary Budget Office, an independent fiscal institution which was established in 2010 as a response to acute fiscal problems. Its function has helped Greece's accountability by improving the quality of the public debate on fiscal policy. Formally, its effectiveness arises from its ability to reduce the informational asymmetries that provide fertile ground for the deficit bias. Only well-informed voters can credibly sanction poor policies.

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