

Understanding public policy weakness in Greece: three 'puzzles'

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Economic Reconfiguration

Pissaridis Report, 2020

	Target, 2030	2019	2024
GDP growth, Yearly average	3.5%	1.9%	2.3%
GDP per capita (PPP), of EU average	81%	67%	67%
Unemployment	7%	17.2%	9.5%
Employment	71%	61.2% (EU=73.1%)	67.4% (EU=75.3%)
Exports/GDP	50.5%	39.6% (EU=48.5%)	43.7% (EU=51.9%)
Fixed Capital Formation /GDP	23%	10.1% (EU=22.0%)	15.2% (EU=22.0%)

In the meantime...

- COVID (in 2021 GR -9.2% vs EU -5.6%)
- Adverse developments in the global economy
- Recovery and Resilience Fund (2021-2026)
 - Grants = 9.7 % of GDP
 - Grants and loans = 16.7% of GDP
 - Sixth largest in the EU

A new paradigm?

- Much progress on fiscal adjustment, on tax receipts and debt reduction

But

- Modest productivity gains (mainly through depressed wages, rather than investment)
- Modest investment (well below the EU), primarily focused on real estate
- **Distorted competition in goods and services**
- Real incomes not rising fast enough (stuck at 67% of EU)
 - Above only Bulgaria, but BG has risen 10% since 2019

Product Market Reform

- Reform of product markets a key component of 2-3 bailouts
- Partially abandoned in the second bailout (OECD toolkit)
- IMF critical of the EU for focusing only on fiscal adjustment
- Problems acknowledged by both the Commission (2024) and the IMF (2025)

Result:

- Distorted competitions inhibits investment and undermines the purchasing power

Why?

- Administrative weaknesses
 - Strengthening of the core executive (executive state), but in an uneven way
- Legal complexities (overlapping competences, regulatory confusion)
 - Some progress in codifying legislation, but not fast enough
- Weak regulation
 - Competition Commission, RAS, RAE, ERS, poor banking regulation
- State capture by private interests
 - In evidence throughout Greece's history, but more acute in recent years

Secondary Education

Preferential Terrain for the Left (in theory)

- Greater stakes to promote social mobility through education
- Ambition to reduce the €2billion per year spent by families on private tuition
- Subjected to bailout spending cuts and the freeze of new hiring (1:10)
 - In 2015-2018 Greece spent 3.9% of GDP on education (EU = 4.7% in EU)
- Greece third from the bottom on the PISA rankings

Numbers Don't Add Up

- Number of pupils to be 30% smaller by 2035 (from 1.5 million to 1 million)
- Very large number of small schools across the country
- Strong financial and education reasons to consolidate schools and produce better economies of scale

Too Many Chiefs, not Enough Indians

- In Greece 3,455 secondary schools for 601,000 = **173 pupils per school**
- In England 4,500 secondary for 3.41 million = **755 pupils per school**

- SSR in Greece 1:9
- SSR in England 1: 16.8

- Greece's schools don't have administrative staff
- Schools are in a terrible state of disrepair
- 9% of all education staff, not in classrooms

Why?

- Clear disconnection between evidence and policy
- Very high party-political polarisation on this matter
- Assumption that more teachers alone will improve education outcomes
- A culture of adding, but never taking away. Inertia
- State capture of a different kind (to the big business model):
 - Trade Union interests (over appointments, headteacher payments, working hours etc)
 - Very strong local opposition to closure of local schools

Decentralisation

Theory-led Policy

- A key objective of the centre left:
 - 1980s (expansion of competences)
 - 1990s (elected regional councils)
 - 2000s (Kalikratis)
- A flagship agenda for Pavlos Geroulanos (under his *Anagennisi* project).
- A policy proposal of the Pissaridis report

The Practice

- LAs significant contributors to hidden deficits leading to the crisis
 - No legal requirement to have an approved budget until 2017
 - OTA had massive liabilities to social security funds, and public service providers
 - No municipality managed to stick to its budget in 2021
 - 10% of municipalities collect data on the efficiency of their spending
- €318million deficit in 2023
- Poor performance
- A pipeline for frontline politics?
- Credibility of local stakeholders?

The Fear

- Making corruption endemic?
- Emergence of local powerbases controlled by Oligarchs and/or gangsters
- Widespread apathy for local elections
 - Athens: elected mayor got 64,00 votes in second round (26% turnout)
 - Thessaloniki: elected mayor got 50,000 votes in the second round (32% turnout)
 - Pireus: 34,000 votes mayor elected from first round
 - Volos: 32,000 votes mayor elected from first round
- Control of a football team can determine local election results

What Has Changed since 2008?

- Greece is much poorer. Public policy disasters matter more!
- Relative power of trade unions has decreased massively
- State-controlled companies now less important. Key concern now is how the government negotiates with oligarchs
- Reach and accountability of the Executive state: opportunity and threat
- How to 'leverage' Europe, both discursively and in terms of resources