Believing in National Exceptionalism: 
Ideas and Economic Divergence in Southern Europe *

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Economic adjustment in Spain, Portugal and Greece prior to the EMU nominal convergence program is examined, in an effort to explain divergence from policy orthodoxy. A notion of national exceptionalism is proposed, as an ideational framework through which government policymakers perceive their country’s position in the European and global sphere. Three levels of national exceptionalism are distinguished, in ascending order of explanatory importance: a level at which national exceptionalism is rooted in cultural predispositions; a level at which it appears to be empirically and logically plausible; and a level at which it offers a politically beneficial ideological strategy. When all three levels concur, national exceptionalism carries notable ancillary explanatory power. That is the case with postauthoritarian Greece through the 1980s, but not with Spain or Portugal.

Keywords: Southern Europe; Greece; Spain; Portugal; ideas; national exceptionalism; economic policies; convergence; divergence.

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National exceptionalism is the bête noire of political science, and quite deservedly so. Treating a country as exceptional before all efforts to classify it into a group have failed contravenes the entire project of comparative politics. However, what if national policymakers themselves treat their country as exceptional, thus applying highly divergent policies? Wouldn’t that then justify regarding their conceptual or ideational framework of national exceptionalism as an important and relevant factor in explaining policy divergence?

This article seeks to explain policy divergence by examining economic adjustment in Southern Europe over the 1980s and early 1990s, that is before the Maastricht program was enacted, imposing universal convergence to the policy orthodoxy. During the first half of the 1980s, Portugal and Spain (following socialist France) converged to the new European economic orthodoxy of fiscal stabilisation, monetary austerity, and market liberalisation. Contrary to these countries, Greece under the socialist PASOK continued to practice

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economic expansionism well into the mid-1980s, only to revert again (after a 1986-87 parenthesis of EC-instigated stabilisation) to electorally driven populist distributionism. After two years of virtual ungovernability under a prolonged electoral period and successive coalition governments, Greece's adjustment to the European policy orthodoxy finally came in 1990. It has been championed since then with the same vigor by both main parties in government, ie, the conservative ND (in power between 1990 and 1993) and the socialist PASOK (in power since 1993).

On an empirical level, the article asks: can ideational factors help explain Greece's initial divergence and belated response? After a sketchy overview of existing institutionalist approaches, an ideational framework of national exceptionalism is proposed to help explain economic policy divergence.

PATH DEPENDENCE AND INSTITUTIONALIST APPROACHES

To begin with, a range of non-ideational approaches can be put forth to explain economic policy convergence or divergence in Southern Europe.

Path dependency is a central notion in many explanatory accounts of political change in Southern Europe. In various different ways, political events or decisions made under particular circumstances in the past can become self-reinforcing, 'locking-in' policy, political or ideological arrangements through interdependence mechanisms, inhibiting change at a subsequent stage, even when the status quo has become dysfunctional or inefficient (North 1990; Pierson 1993; 2000). Put briefly, different national historical experiences and types of dictatorial regimes led to different transition paths in Spain, Portugal and Greece, shaping the distinct historicopolitical endowment of each country, and accounting for the similarities or dissimilarities of political and economic strategies (eg, Linz et al. 1995; Linz and Stepan 1996). Along such lines, Pérez-Díaz (1993) traces the emergence of democratic Spain back to the gradual development of economic, social and cultural institutions under authoritarianism.

Institutionalist approaches, compatible with path dependency, focus on the role of national-level institutions such as the political system (Morlino 1998), the policymaking structure and bureaucracy (Heywood 1998; Pagoulatos 2001) and the organisation of socioeconomic interests (Schmitter 1995) in facilitating democratic consolidation, Europeanisation, and economic reform. In systematically addressing the question and extent of Europeanisation, Featherstone and Radaelli (2003; cf. Dyson 2000; 2002; Schmidt 2002) seek to evaluate the ‘power of Europe’ in the national contexts by examining domestic politics and institutions. A comparative focus on the political system (eg, parliamentarianism in Spain and Greece, or semi-presidentialism in Portugal) (Sartori 1994; Linz and Stepan 1996) or the importance of a strong governing party (in terms of electoral popularity and organisational cohesion) (Bermeo 1994: 621ff; Morlino 1995; Bruneau et al. 2001) could also generate valid explanations of economic policy. Ideationally-sensitive institutionalist approaches in general have discussed the role of institutions such as the bureaucracy and the organisation of the political system in constraining or facilitating the entry of policy ideas into the policymaking system, and their impact on policymakers (Hall 1986; 1989).
Not incompatible with institutionalist theses is what may be called the ‘political economy of small states’ approach (Katzenstein 1978). This focuses on particular aspects of the international regime to which the three South European economies were subjected, maintaining among others that more open economies would be more susceptible to international or EC/EU pressures (Tsoukalis 1981; Bliss and Braga de Macedo 1990; Pagoulatos 2003). Along those lines, changes in economic policy are viewed as exogenously determined, driven, for example by developments in labour and financial markets (reducible themselves to institutional arrangements) confronting the existing regime with powerful deflationary or inflationary dynamics (Notermans 1998). Leonardi (1995) has put forward a useful typology of economic and social convergence or divergence in the EU. Other authors have pointed to important structural similarities between the three countries: an extensive agricultural sector fragmented and dominated by small holdings, an emphasis on tourism, a productive base of mainly smaller-scale SMEs, a state-controlled or heavily regulated financial sector, an overall dominant role of the state in the economy (Larre and Torres 1991; Gibson 2001).

IDEATIONS, COMPETING DISCOURSES, AND A FRAMEWORK OF NATIONAL EXCEPTIONALISM

Each of the above approaches privileges its own theoretical discourse. Path dependency encourages ‘backward-looking’ interpretations, revolving around concepts of distinct historical influences and traditions, and subsequently national specificity, placed however in a comparative framework. The discourse of the institutionalist approach often revolves around the notion of modernisation and its occasional opposites (patrimonialism, clientelism, statism). The party system approach privileges concepts related to democratisation, legitimacy, politico-ideological distinctness, party-ideological consistency and partisanship (Morlino and Montero 1995). The focus on the constraining conditions of the international political economy enhances the concepts of economic efficiency, competitiveness, and adjustment.

While each of these approaches nurtures its own theoretical discourse, they should not be viewed as mutually exclusive but, more eclectically, as mutually competing and complementary explanations. Depending on the specific parameters and type of questions asked, some are more apt to deliver successful explanations than others. For instance, political opposition to economic reform can be explained by the party system approach, but this might not suffice when we seek to explain why a particular policy mix was chosen over another. For that purpose, a focus on other institutional factors such as interest organisation and the bureaucracy might prove more helpful.

Arguably, political science cannot seek neither can it claim to provide ‘full’ explanations. However, from the moment one has chosen the middle ground between full-fledged reductionism and extreme eclecticism, then the task is to come up with more complete explanations, which might combine elements from more than one of the approaches outlined above. This means that the explanatory endeavor must also be open to ancillary or intervening explanatory variables as long as these variables have good chances of carrying significant responsibility in having caused policy resultants.
Thus, aim of this paper is not to disprove the validity of any of the approaches sketched above but to argue that there is still room for a supplementary line of argument focusing on the ideational factor. If policies are, after all, about choices actors make, then these choices cannot be conceptualised outside an ideational framework attaching meaning to such choices, defining their relative value and desirability, and affecting the terms under which actors regard them, adopt them or discard them. Ideas are thus viewed as variables that mediate or filter the effect of institutions, interests and power on policies, especially by guiding policymakers under conditions of uncertainty to pursue policies advancing their objectives (Goldstein and Keohane 1993; Blyth 1997; 2001; Campbell 1998; Braun and Busch 1999; McNamara 1999: 461ff; Walsh 2000; Lieberman 2002; Schmidt 2003: 129). The ancillary explanatory use of ideas implies that they will not be regarded as the principal causal forces behind economic policies. They will be seen more as ‘another rather than the causal factor’ (Blyth 1997: 236), as ‘one of a number of multiple causes or influences’ (Schmidt 2001a: 250), even if it may be ‘the very variable or added influence that makes the difference, by serving to reconceptualise interests or to reframe institutional rules and cultural norms’ (Schmidt 2001b: 9). Therefore, our approach will not seek to assert the function of ideas as main independent variable, by positing, for example, that the ideational framework through which actors interpret their interests can vary independently from the material/objective environment or, in other words, ‘to isolate the ideational filter from its context, to separate the subjective components of actors’ ‘perceived’ interests from their direct responses to the environment’ (Parsons 2002: 49). Instead, the ideational framework proposed will be regarded as an intervening or, at most, an ancillary independent variable filtering the impact of the objective context and thereby influencing policy outcomes. Thus, by mediating roughly parallel objective circumstances and national trajectories, different ideational frameworks may lead to different national policies.

The proposed ideational framework roughly falls under the category of an ideology or worldview: a mental framework ‘within which human beings can order and understand the entire world in which they live’, a framework that furnishes ‘abstract guidelines, a general outlook, a manner of thinking’ (Berman 1998: 20). As such, it is subject to the familiar critique raised against ideologies or worldviews: they are epiphenomenal, too broad to provide useful explanations, not easily amenable to empirical study or measurement, and so on. However, such reservations are countered if the specific ideational framework is structurally rooted or in any way reducible to properties of the sociopolitical environment, if it predates the policies that are being explained, if it can be juxtaposed to a different set of ideas corresponding to different policy choices, and if specific political actors can be identified as carriers of the particular ideational framework (Berman 1998: 22ff; also Campbell 2002). If all these conditions hold, then ideas can carry notable (though not necessarily fully independent) explanatory power.

The notion of national exceptionalism, the idea (or system of ideas) that one’s country is different, ‘exceptional’, is proposed as such an ideational framework. Of course, one would contend, every country can lay claim to being exceptional. Why is this notion an interesting one, why can it claim any explanatory power?
The notion can be interesting if three distinct levels of national exceptionalism can be claimed to concur. At the first broader and weaker level, the ‘soft’ cultural preconditions of national exceptionalism can be claimed to exist. Nationals of nearly every country in the world can assert the existence of certain features on the basis of which their country stands out as different from the others, as somehow ‘exceptional’. National histories are often constructed as mythologies to accommodate a sense of national ‘distinctness’ or even ‘uniqueness’ through bold juxtapositions with ‘the others’ or through cultivating an ethnocentric understanding of the world. This weak form of exceptionalism certainly does not suffice to make it an interesting and useful notion.

A second stronger notion of national exceptionalism exists, whereby national exceptionalism is more than a commonplace category: it can offer grounds for a plausible ideologicopolitical agenda, and thus perhaps generate its own political or policy discourse (cf. Schmidt and Radaelli 2004). There exist, that is, certain ‘real’ structural features in a country’s contemporary geopolitical standing, economy and society (and not just generally its history and culture as perceived or ‘invented’ by its people) that may grant respectability and plausibility to a claim of exceptionalism. At this level exceptionalism may have notable policy implications by providing policymakers a substantial argument that legitimises the pursuit of ‘divergent’ policies.

And finally a third stronger level exists, where national exceptionalism is not only culturally induced and empirically plausible, it is also politically desirable. That is, for reasons associated with the sociopolitical configuration and opportunity structure, national exceptionalism lends itself to a potentially beneficial political strategy. In this case, leading political forces and policy elites choose to subscribe to an exceptionalist agenda in order to reap the associated political benefits.

If all these three conditions concur, then national exceptionalism becomes interesting and can carry notable explanatory power. While a vast number of countries can be claimed to subscribe to the first notion of national exceptionalism, and a considerable number to the second, there are fewer cases and political conjunctures for which all three notions of national exceptionalism can be claimed to coexist. The unfolding of the comparative case at hand will help illuminate these distinctions.

ECONOMIC POLICIES IN SOUTHERN EUROPE

In the early 1980s, socialist governments rose to power in France and Southern Europe. Their policies were initially meant to rely on a strong degree of state interventionism and redistribution, only to shift at a later stage (which in the case of Spain came very soon after assuming power) towards the ascending economic orthodoxy of reducing state intervention and placing fiscal discipline and disinflation as top policy priorities, at the expense of unemployment control and a more equitable income redistribution. However, while France abandoned its short-lived ‘reflation in one country’ experiment in 1982, and Spain and Portugal entered harsh policies of economic adjustment directly after 1982 and 1983 respectively, Greece persisted on its expansionist track well until 1985. Following its 1985 re-election to power, the Greek socialist government finally enrolled into a Keynesian-type
stabilisation program (which included very few structural reforms limited mainly to policies directly imposed by the EC), only to revert to populist distributionism from the spring of 1987 until the 1989 elections. While Spain and Portugal continued on the course of fiscal and monetary austerity and extensive market reforms throughout the 1980s, Greece postponed economic reforms and fiscal tightening until as late as 1990, when the ND came to power (Diagrams 1, 2 and 3).

Far from a smooth and linear process, the apparent ‘inevitability’ of economic adjustment conceals serious political dilemmas and conflict over policy alternatives. An intuition that seems to be tentatively confirmed is that, in a Hirschmanian logic of ideational cycles (Hirschman 1982), the economic policy pendulum tended to shift further to the right wherever it had earlier shifted very decisively to the left, and vice versa. On that logic, the advent and endurance of that most Thatcherite of South European governments of the 1980s, Cavaco Silva’s in Portugal, in less than a decade after the radical left-wing experiment of the revolutionary phase (see next paragraph), should be regarded as the latter’s somewhat belated countervailing effect rather than a paradox. Same pattern, in reverse, in the case of Greece. The professed accommodation of private capital of the entire 1953-1973 era forced the Karamanlis conservative government of 1974-77 into a clearly centrist program of relative expansion and selective nationalisations, a policy carried out more viscerally by the 1981-89 socialist government. On the contrary, Spain, which had eschewed both a laissez-faire capitalism under Franco (who –despite the liberalisation and internationalisation of the post-1959 period—had been keen on state corporatism and nationalisations) and a radical socialist economic policy spree in the transition years, exhibited a consistently more moderate and stable pattern of economic adjustment in the 1980s.

To begin with Portugal, the collapse of authoritarianism brought to power a Marxist-leaning revolutionary regime under the Armed Forces Movement (MFA), with a pronounced anti-capitalist ideology. A series of nationalisations took place in 1975, after which the share of total investment held by the state rose from 18 per cent in 1973 to 45 per cent in 1980 –still not far from West European levels (Baklanoff 1978: 156ff; Maravall 1993: 86). Unprecedented social redistribution was implemented, with high wage increases above inflation, and an effort to save jobs by financing non-competitive industries. These policies led to large budget deficits (which had not existed under authoritarianism), soaring inflation, a dramatic deterioration of Portugal’s external position, and (given the adverse international economic environment) stagnation (Diagram 4). The clear and unambiguous failure of the radical socialist model undermined the persuasiveness and bargaining power of the radical left, making possible the explicit abandonment of nationalisations after 1976. Political discontinuity and instability prevented any consistent adjustment program from unfolding until as late as 1983, when the Soares socialist government undertook comprehensive reforms. These were continued most decisively after the 1985 election by the (minority) PSD government led by Cavaco Silva, which after the 1987 election acquired absolute majority. Under Cavaco Silva, Portugal implemented bold liberalisation and privatisation policies which brought the country into the mainstream if not the forefront of the neoliberal economic orthodoxy (Corkill 1999: 213ff). From 8 per cent of GDP in 1984, the borrowing requirement of public enterprises was down to 1.5 per cent in 1990 (Larre and Torres 1991: 183). In a pattern that would be later repeated in the wake of the Greek ineffective coalition governments of 1989-90 (Pridham and Verney 1991), the government instability of the years
until 1983 in Portugal (including the 1979-83 conservative coalition phase) had produced a popular demand for a strong administration to implement decisive and effective economic management.

Like Portugal and Greece, Spain avoided serious economic reforms during democratic transition (Maravall 1993: 88-9).1 Though not faced with the high political volatility characterising Portugal until about the end of the 1970s, the Suárez governments of the 1970s had to struggle with a lack of parliamentary majority and a divided party. The government strategy of seeking broad agreement with all major political parties led to the stabilisation program known as the Moncloa Pacts, signed after the 1977 election, and aiming to address the urgent economic crisis (with a 25 per cent inflation and an alarming current account deficit). The Moncloa Pacts delivered significant results, managing to reduce inflation to 9 per cent in two years. However, the 1979 oil crisis, combined with the government's reluctance to address the rapid expansion of loss-making industrial concerns through structural policies other than absorbing them into the public sector, reversed the program’s beneficial results, triggering a vicious circle: by 1982 all macroeconomic indicators had severely deteriorated again, the economy in recession, unemployment at the levels of 16 per cent (Maravall 1997: 84ff; Bermeo and Durán 1994: 102ff).

Backed by a robust 48.4 per cent electoral mandate –like Papandreou’s socialists a few months earlier—the 1982 Spanish socialist government had all the political power it needed to implement its chosen brand of economic policy. Yet, from the beginning of PSOE’s ascent it became clear that the policy recipe had nothing to do with the course that had been adopted by the Greek socialists of 1981. Despite a distinct social democratic hue, visible in an emphasis on investment in fixed and human capital, the macroeconomic management was clearly orthodox emphasising growth (and later harsh disinflation) but not redistribution (Bermeo and Durán 1994: 107ff; Gillespie 1996: 161; Maravall 1997: 87ff; Boix 1998). PSOE rejected countercyclical policies espoused in Greece, and consistently pursued a policy mix of strict fiscal and monetary management. The austerity program initiated in 1983 well exceeded the stringency required by the pursuit of EC membership –hence it caused significant internal party division. Instead of the demand-side, PSOE focused its effort directly on supply-side structural reforms, reconverting some one third of Spain’s industrial sector and promoting labor and financial market liberalisation (Pagoulatos and Wright 1999). Thus, also benefiting from a favorable international environment, Spain by the end of the decade exhibited remarkable recovery in most macroeconomic indicators, except for unemployment which was aggravated by the single-minded pursuit of disinflation (Pérez 1997).

GREEK ECONOMIC POLICY DIVERGENCE

1 For Greece and Spain the transition period extends until the 1977 general elections. Democracy is thought to be consolidated in both countries by or with the rise of the socialists in 1981 and 1982 respectively, when democracy ‘became the only game in town’ (Linz and Stepan 1996; Gunther et al. 1995).
In Greece, the break with the postwar conservative economic paradigm of commitment to monetary and fiscal stability (Pagoulatos 2003) occurred directly in the postauthoritarian period, for two main reasons that were common for all three South European new democracies. First, the post-1973 international stagflation made sound public finances increasingly untenable. Second, the pursuit of democratic consolidation through considerable economic redistribution rendered orthodox policies undesirable, privileging macroeconomic expansionism. In the case of Greece, the 1974 government of ND under Constantine Karamanlis aimed to dissociate itself from the postwar legacy of the Right through centrist measures that included a relative rise of social spending and the demonstration effect of a few selective nationalisations. However, the economic crisis of the late 1970s, with 25 per cent inflation rates in 1980-81 and an electoral expansion to boot, deprived the ND government of a persuasive claim to economic success.

In October 1981 Andreas Papandreou’s PASOK rose to power with an anti-EC agenda. PASOK postponed the liberalisation reforms encouraged by the EC and also attempted (during its first government term, 1981-85) a ‘structuralist’ strategy of state interventionism emphasising institutional reforms such as democratic planning and socialisation (Tsakalotos 1991). As PASOK sought to stabilise its political grip by targeting left-wing voters and appealing to socioeconomically marginalised strata, redistribution constituted a main pillar of its political strategy. The demand boost, however, did not lead to more growth but ended up increasing consumption and budget deficits. Between 1975 and 1990, government spending in Greece rose from the area of 29 to 51 per cent of GDP, compared to an EU-average increase from 42 to 47 per cent, and an OECD-average increase from 35 to 39 per cent. Independent economic policy led to policy outcomes clearly divergent from the EC standard.

Thus the PASOK government followed neither the Spanish nor the French socialist administrations in their shift of direction. A political-economy explanation would point out that Greece’s degree of development and integration in the international economy was not as high as, say, that of France, were the effects of the 1981-82 experiment (including the powerful pressure of influential technocratic and business elites) were directly felt by the Mitterrand government, forcing its grand tournant (Hall 1986: 192ff). Yet, repeatedly in the 1980s, Greece was faced with alarming external payments difficulties while by 1989 interest payments for its public debt had quadrupled from their 1981 levels, absorbing a distressing 12.5 per cent of GDP. Such developments probably would have forced other governments to sharp economic adjustment.

On the other hand, taking into account institutional factors such as the role of public bureaucracies only assists in a small part of the explanation. The lack of an autonomous and capable bureaucratic technostructure in the Greek case (Sotiropoulos 1996) meant that policy could be designed and formulated according to the ideological preferences and political expedience of the political executive. It also meant that, from the moment the government’s policy orientation shifted, the new policy would be left to be applied free from the constraints or the filtering intermediation of a strong bureaucracy with its own policy preferences. Contrary, of course, was the case of the élite French civil service. Spain, on the other hand, from Franco’s time had also enjoyed a tradition of qualified and non-politicised state bureaucracy (Linz and Stepan 1996: 252), which vested public policy with a higher degree of consistency and continuity, shielding—to a considerable extent—government from its
potential excesses. While the role of bureaucracies can help understand different policy results between countries, it cannot provide a conclusive answer to why different policies were followed by each one of them in the first place.

Neither can a consideration of party system constraints adequately explain Greek divergence from the European canon. An adversarial, polarised political system might exercise a significant impact on the intensity of political opposition, but far less so on the content of the government’s economic management. Backed by a robust 48 per cent popular mandate corresponding to a 57 per cent of parliamentary representation, assisted by a manipulable electoral system, with a party and parliamentary majority cemented behind Papandreou’s charismatic and unchallenged leadership, opposed by a demoralised ND opposition and a Communist Party whose influence ranged rather inflexibly in the 10 per cent area, the 1981 socialist administration was a most powerful government. It could have well followed the ‘pragmatic’ example of Spanish and French socialists, yet it did not. Instead PASOK exceeded by far the expansionism of the 1977-81 ND government, despite the inflow of EC funds which helped secure the vote of crucial categories such as farmers without burdening the state budget (Kazakos 1994: 8). The political system approach seems to account successfully for the electoral cycle manifested in the economic management around the 1985 and 1989 election years. However, this approach falls short of explaining why PASOK remained overall committed to a particular kind of economic management which (except for the 1985-87 stabilisation parenthesis) so notably diverged from that applied by all other EC and South European governments in the 1980s, including fellow socialist governments.

ACCOUNTING FOR DIVERGENCE AND THE ROLE OF EXCEPTIONALISM

Why did Greek socialists choose to ignore the parallel policy lessons of the other EC countries, already practicing macroeconomic restraint and economic liberalisation under either conservative/ neoliberal governments or reformist social democratic ones? Why did PASOK and PSOE (despite their similarities as socialist parties that came to power with a few months distance, and operating in two countries with parallel postauthoritarian trajectories) choose such different economic strategies?

Our research question yields better answers if rephrased in ideational terms: why did the general European policy paradigm of macroeconomic stabilisation and market-oriented reforms applied across the EC in the 1980s prompt a belated and far lesser response on the part of the Greek socialist government? A focused comparison of the Greek PASOK with the Spanish PSOE is revealing. By 1982 there were enough salient, negative paradigms for Spain as well as for Greece to learn from: the failure of Portugal’s radical socialism of the transitional period; the economic failure of Britain’s Labour government in the 1970s; and most closely, the failure of Mitterrand’s 1981-82 reflation experiment, as mentioned earlier.

We attribute the willingness and readiness of Spanish socialists to ‘emulate’ and ‘learn’ from the British, the Portuguese, and the French experiences to their extrovert ideological disposition, receptiveness towards developments in the Western social democracy, ideational identification with Europe, commitment to the European project and consequent openness to external influences deriving from the European political economy and policy practice. There
lies their crucial difference from their Greek counterparts of the 1980s. For a combination of reasons, which will be elaborated below, the PASOK government of the 1980s, particularly in the first half of the decade, tended to perceive European economic and policy developments as either alien processes with which it had very little if anything to do, or as unwelcome pressures to which it had to resist. Socialist policymakers of that period were driven by an ethnocentric understanding of their surrounding politico-economic reality which revolved around either similarly ethnocentric ideological preoccupations or simply electoral-political objectives, defying external economic and institutional constraints, and overlooking similarities and analogies of Greece’s course with that of other European countries. That particular worldview carried by Greek government policymakers in the 1980s can be summarised as an—often unconscious—attachment to national exceptionalism, as a unifying ideational framework framing the actors’ perceptions and orienting their policy choices.

That a framework of national exceptionalism would thrive under the PASOK government—as both an ethos and an ideological agenda—should not be surprising. On many accounts PASOK was an exception to European socialist parties. Contrary to other West European socialist parties, PASOK was neither an old, traditional party (like the 1879-founded PSOE) nor associated with the European socialist political family (like the Portuguese socialist party, which was established in exile in 1973 with the support of the German SPD, the Socialist International and the Confederation of European Socialist and Social Democratic Parties). Unlike its fraternal parties in the Western political system, PASOK did not originate from a strong labor and trade union movement. In a country characterised by the smallest percentage of salariat in the EC and the largest sector of self-employed artisans and small tradesmen, along with one of the largest percentages of employment in small agricultural holdings and a coagulated state sector, PASOK aimed to become the voice of the ‘non-privileged’ Greeks, that is those either identifying themselves with the ideological and political losers of the post-civil-war period, or belonging to the less competitive strata of a predominantly petty bourgeois society such as that of Greece in the seventies and eighties (Spourdalakis 1988).

Nor had any other of the three collapsed dictatorial regimes of Southern Europe left behind such widespread feeling of fierce anti-Westernism such as the Greek junta—one of the principal factors that led to PASOK being the only major Southern European party opposed to EC accession in the 1970s. It was not only the American support provided to the Greek colonels; that was not so strikingly different from the patterns exhibited in the cases of Spain and Portugal, though in the Greek case the US had also had a critical role to play in the 1967 military coup. It was also the charged post-civil-war period of undisguised foreign US intervention in domestic political life (direct continuance of a nearly 150-year historical tradition of foreign interference), and mostly what was considered as US and NATO indifference if not encouragement of the Turkish invasion of Cyprus. A child of its charismatic leader, PASOK developed as the direct successor of the anti-junta ‘national liberation movement’ Papandreou had founded, proclaiming national independence to be the supreme priority, denouncing social democracy as the ‘genteel mask’ of capitalism, and actively condemning (until its 1981 rise to power) EC membership as a subjugation to imperialism (Verney 1996: 174-5; Dimitras 1984: 128).
The above evidence sketches an ideational framework of national exceptionalism that corresponds to the second and the third notion earlier described: empirical plausibility as well as political desirability. Though this national exceptionalism characterising PASOK’s policies of the 1970s and 1980s carries the discernible impact of path dependency and institutional factors, its influence in framing policy choices was carried out in a distinct manner. The government and party’s position vis-à-vis the EC merits more careful attention, as it appears to be the touchstone of national exceptionalism.

GREECE, SPAIN AND PORTUGAL OPPOSITE THE EC

The ideational framework of national exceptionalism can be elaborated by comparing the Greek stance vis-à-vis the EC with that of Spain and Portugal. Not only opposition to Europeanisation by Spanish political elites was virtually non-existent, but Spanish policymakers went further in internalising EC norms, identifying national interests with the idea of European unity, and assuming an active role in forging a common EC interest (Marks 1997). This became the case in Greece only in the second half of the 1990s (Pagoulatos 2002). Even stronger was the pro-Westernism of mainstream political forces in postauthoritarian Portugal, where the policy was clearly one of alignment behind the Western and European project. Even the Portuguese socialist party, contrary to all Euromediterranean socialist parties, has been pro-American, reflecting the country’s Atlanticist tradition (Kohler 1982).

On the contrary, Greece’s ‘failure to assimilate the European Community into political thinking’ (Verney 1994)—echoing the total and uninhibited prevalence of domestic political considerations—was reflected in its self-interested pursuit of short-term and often ‘petty’ national interests during the 1980s in what appeared to be a full disregard of a common European interest (Marks 1997: 106). This ideational isolation from Europe was repeatedly exemplified all through the 1980s not only by Greece’s disagreements with its EC partners over important matters of European foreign policy, but also by a ‘conflict on all issues’ regarding the implementation of EC law, with the PASOK government delaying or refusing to conform even on matters of totally minor importance (Verney 1994: 365; Ioakimidis 1994). Overall in the 1980s, Greece formed a case of EC ‘exceptionalism’ in the political sense, to a degree comparable only to that of Thatcherite Britain.

Such concurrence of ‘exceptional’ policies could only denote a political frame of mind of being exceptional. Exceptional in a number of ways: in being the only European socialist party in government ostentatiously absent from the Confederation of the Socialist Parties of the European Community and the Socialist International, which PASOK joined as late as 1989; in being the only European socialist government truly defiant of capitalism and imperialism or the ‘directorate’ of North European metropolitan countries; in being probably the only national administration consciously engaged in a trench warfare with the EC authorities.

A ‘softer’ version of national exceptionalism as a plausible agenda was also possible to observe, corresponding to the second but not the third notion as defined in the beginning of the article. In this more pragmatic version, national exceptionalism stressed a pessimistic
interpretation of Greece’s structural-economic backwardness compared to ‘Europe’ and its ‘unique’ geopolitical standing: no common borders with any country of the EC; the only EC country facing a serious and imminent security problem (with Turkey); the only consolidated democracy in the Balkans, and so on. During the late 1970s, this pragmatic and plausible version of national exceptionalism supported in principle Greece’s participation to the EC, but found the Treaty’s terms heavily unfavorable precisely because of Greece’s perceived difference from the rest of the EC, and thus opposed the Accession. At a commensurate level of discourse, the above view was confronted with an ‘optimistic’, voluntaristic, politically expedient but equally pragmatic view mainly carried by Karamanlis and the ND majority cemented behind him. This held that Greece’s exceptionalism was being overstated by domestic Eurosceptics of the time, and that in any case the significant EC benefits it terms of security, democratic consolidation and institutional development exceeded any short-term economic costs. This learning-by-doing paternalism of the pro-EC camp was summarised in the memorable phrase attributed to Karamanlis: ‘the only way you can learn how to swim is to be thrown into the deep water’.

Contrary to PASOK, the PSOE by the 1980s had stronger reasons to align behind the European economic policy orthodoxy as it was still pursuing Spain’s accession to the EC, while Greece was already a member. One could talk of a moral hazard situation resulting from Greece’s already obtained EC membership. Indeed, there lay a key reason for divergence between Greece and Spain/Portugal in the first half of the 1980s. Evidently, the political objectives of a party in government (such as the ND and PSOE during the entry of Greece and Spain respectively) were different from those of a party in opposition. The difference between being faced with the ‘real’ responsibilities and exigencies of government as opposed to being singlemindedly focused on the objective of rising to government helps explain PASOK’s pragmatic acceptance of the EC by the mid-1980s, but it can not by itself account for PASOK’s initial opposition to the EC during the 1970s. PASOK used the EC as a prominent element of its ‘systemic opposition’ weaponry against the conservatives until 1981, whereas Spanish socialists were adamantly pro-European from the early days of transition (despite their early aversion to the Common Market’s capitalist orientation).

Most of the explanation for that is associated with PASOK’s ‘exceptional’ features as a socialist party, as already discussed. A particular further emphasis should be placed on path dependency and its impact on ideations. Beside the obvious differences (Spain and Portugal having undergone nearly four decades of dictatorship compared to the relatively brief Greek seven-year junta) the exact circumstances of transition varied across the three countries, which notably affected political strategies under the new democracies. While Greek and Portuguese authoritarianism collapsed under conditions of disastrous and humiliating foreign policy failure (Cyprus in the Greek case, Angola and Mozambique in that of Portugal), Spain’s case was one of transition in continuity, prompted by a crisis of obsolescence and not failure (Alvarez-Miranda 1996). This meant that in the Spanish case the new democratic elites felt a strong need –much stronger than in Greece or Portugal—for a symbolic rupture with Spain’s Franquist past (Díaz 1998: 32-3). That further privileged the European cause (as opposed to a national-exceptionalist agenda) as the new national unifying political ideal behind which all Spanish democratic forces would rally. Along came the political endorsement of the European project by the socialists as a strategy for curbing US influence.
In other words, the exact conditions and new challenges laid forth by the Spanish transition rendered politically suspect and discreditable some of the main ideological features that had characterised the authoritarian regime. If Franquist Spain had been forced to walk in humbling isolation from the rest of Europe for nearly four decades (denied membership by both the EC and NATO), the new democratic Spain would have to be identified with that democratic Europe. Thus, even if there was concrete understanding of the objective socioeconomic factors that kept Spain lagging behind its Northern European prospective partners, there was no room for ideologising these differences; quite the opposite, the challenge was to understate their importance. National exceptionalism was still a plausible case, but there were no mainstream political forces willing to provide it with ideological backing let alone carry it as a political cause.

On the contrary, the conditions surrounding Greek transition encouraged a political strategy of national exceptionalism on the part of the socialist opposition of 1977-81. The traumatic conditions of the Greek junta’s collapse under Turkey’s military intervention in Cyprus and the imminent threat of a Greco-Turkish war (as opposed to the far more painless transition in Spain) left little if any room for global approaches. The stream of Greek-Cypriot refugees from the invaded part of Cyprus, and the reemergence of the age-long Turkish threat revived historical memories of the 1922 Asia Minor disaster. Combined with the insecurity of the fledgling Republican polity, these events prompted a phase of national soul-searching as euphoria for the return of democracy was mixed with anxiety for the security of its prospects. Such circumstances, added to the burst of anti-Americanism and anti-westernism mentioned earlier, encouraged the exploitation of ethnocentric and nationalistic ideas by the socialist opposition. Along came the immoderate social demands, hyperpoliticisation, and demagogic extravagance (Pappas 1999), which popularised the impression that everything was possible depending on one’s ideological hue. Political voluntarism and ideological maximalism, at the end of the day, accommodated ethnocentrism. Thus (a) the disastrous circumstances of the Greek junta’s collapse, combined with (b) a long suppressed and finally free to be expressed reaction against Western foreign intervention, and (c) a polarised, adversarial political system (as mentioned earlier) encouraged the full-fledged adoption of a national-exceptionalist strategy by PASOK including a militantly anti-EC opposition. National exceptionalism in post-transition Greece was both empirically plausible and politically beneficial.

NATIONAL EXCEPTIONALISM: THE CULTURAL PREDISPOSITION

The cultural embeddedness of national exceptionalism also warrants particular attention. National exceptionalism in the Greek case drew heavily on the cultural stream that Diamandouros has coined as the ‘culture of the underdog’, juxtaposed to its opposite Enlightenment-inspired, European-minded, liberal-leaning, reformist-driven culture (Diamandouros 1993; 1994). These two cultural streams horizontally cross-cut the Greek political system, their ideological and political exponents to be found in both the socialist PASOK and the conservative ND party. The underdog culture involves a siege mentality combined with a distinctly defensive perception of the international environment, a pronounced sense of cultural inferiority towards the Western world, coupled with a hyperbolic and misguided sense of the importance of Greece in international affairs and, more generally, in the history of Western civilisation (Diamandouros 1993: 4; also Dimitras
Thus, Greek exceptionalism is a central ideational tenet or offspring of the underdog culture.

To be sure, a deeply ingrained culture of self-contempt dating back to at least the previous century is a common traditional feature of all three Southern European countries. That was largely a feeling originating from a rather miserable recent past and present as it painfully contrasted a glorious historical farther past (Malefakis 1995). The great early 20th century literary figure Fernando Pessoa bitterly summed up the definition of his compatriots: ‘the Portuguese are those who, after having discovered the Indies, were left without employment’. In Malefakis’ words, ‘isolated and alone, each nation saw itself as especially at fault’ (Malefakis 1992: 3-4).

Spanish twentieth century cultural dualism as a deep division over national identity (Gunther 1992: 43ff) was encapsulated in the ideological debate between its two foremost intellectuals, Miguel de Unamuno and José Ortega y Gasset. While the first advocated a negation of Europe and a rediscovery of Spain’s identity in its own ‘essential’ cultural roots, the second condemned all the historical components of Spain’s uniqueness, laying forth a vision of Spanish regeneration through its Europeanisation (Herr 1971). Spanish uniqueness was championed (and thus, in the postauthoritarian era, retrospectively discredited) by Franco as a legitimising ideal for his nationalist isolationist rule until about the mid-1950s. Then, in its last two decades, theFranquist regime, for the sake of economic revitalisation, entered a strategy of opening Spain to the outside world; while the internationalisation effort delivered impressive success at the economic level, it met with Europe’s apathy bordering on resentment at the political one. So the ideal of Europeanisation was never fulfilled and remained a national objective to be ardently pursued in the postauthoritarian era.

Thus while national exceptionalism had strong roots in Spanish culture too, the country’s particular course of postwar development led to different results. Democracy led to a reevaluation of Spain’s Franquist path. Indeed, Spain, together with Portugal, being under dictatorships for the entire postwar period were exceptional from the rest of Western Europe including Greece; but this was not an exceptionalism democratic Spain could pride itself of, particularly given the continuing economic backwardness bequeathed by Franco; similar was the case of Portugal. Consequently, contrary to the case of Greece, the challenge facing democratic Spain lay not in difference but in conformity with the rest of Europe. In other words, though the cultural disposition to national exceptionalism existed in all three countries, it was especially in Greece that it was elevated into a plausible as well as a politically beneficial agenda.

The impact of national exceptionalism on party and government policies would have been tempered had Southern European parties developed the technocratic, intelligence, and policy-formulating organisational substructures encountered in other Western democracies. By the end of the 1980s they had not yet quite done so [though Spain fared considerably better in that comparison (Morlino 1995: 341ff)]. Given such deficiencies, an ideational predisposition to national exceptionalism makes a substantial difference: as political elites fail to place their case in a cross-national perspective, similarities with other countries are not pursued, and if noticed they are superficially regarded as incidental. Thus lesson drawing is hampered. Policies are dissociated from their supranational antecedents and context. Policy experiments
tried and failed elsewhere are viewed as being discovered de novo, left to assume their own ‘unique’ course.

EVOLUTION AND CHANGE IN THE 1990s: THE EROSION OF NATIONAL EXCEPTIONALISM

Some of the most important contextual factors that sustained Greek national exceptionalism were altered in the 1990s. For one thing, the prolonged stagflation of the 1980s was, by the end of the decade, testifying to the failure of lax macroeconomic management. By 1989 inflation had been elevated into Greece’s number one problem in the public’s eyes. Fiscal and monetary austerity, market liberalisation, and public sector contraction were rapidly gaining support, as the perceptions of domestic actors were being framed by the Western hegemony of neoliberal political-economy conceptualisations. Politically, by 1989 the status quo of the 1980s led by Papandreou’s PASOK had reached its lowest point of public acceptance amidst a climate of serious alleged corruption and economic decline. Thus demand for a radical policy shift had peaked. The fruits of the growing internalisation of anti-statist ideology were visible in the radical reversal of public opinion stances. From a total 45 per cent of public support for further nationalisations and 22 per cent support for ‘the privatisation of some state-controlled companies’ in 1984, the same questions yielded 21 per cent and 26 per cent respectively in March 1989. By mid-1990 an overwhelming 52 per cent endorsed the privatisation of state-controlled firms (excluding defense and public utilities) (Loulis 1995).

Thus, from the beginning of the 1990s Greece boldly shifted direction in its economic policies, aligning itself fully behind the European economic orthodoxy, and a parallel realignment took place in the realm of ideas. Modernisation and the catch-up with Europe through ‘orthodox’ policies became central ideological tenets of both ND and PASOK, pursued more vigorously by the socialists after the 1996 succession of Papandreou by Costas Simitis, leading PASOK’s reformist wing. Most crucial for the consolidation of the ‘Euro-conformist’ policy shift was the EMU nominal convergence program, which imparted the Greek authorities a set of clear, tangible and compelling policy targets (Featherstone 1998; Pagoulatos 2000; Moschonas 2001: 23).

The comparative evidence thus presented corroborates that an ideational framework such as national exceptionalism can be eroded as a result of several developments:

- Central symbolic events, factors or concepts with which that framework of ideas was identified fall into disrepute. The idea of an independent Greek economic policy as championed in the 1970s and early 1980s by Papandreou’s socialists was discredited following the political decline of Papandreou in the late 1980s and the economic failure of the 1980s’ model. A domestic paradigm shift took place, from statism and redistributionism to sound finances and market-led reform. Thus change after 1990 was facilitated by the demise of the political model of the 1980s; the ideological and ideational premises on which it was founded were dragged along.
Various substantial preconditions on which a system of ideas was founded are eroded. Most notably, Greece’s cultural and institutional differences from Europe—which sustained the ideational framework of national exceptionalism—were weakened as a result of Greece's gradually expanding integration. While Greece during the 1980s, in strictly economic and political terms, lost ground by further diverging from the EC, its institutional and cultural distance from the Community was significantly narrowed. Thus national exceptionalism was eroded as a result of the growing institutional and cultural westernisation and Europeanisation of Greece. The growing proximity to Europe undermined anti-westernism, an important pillar of national exceptionalism.

Environmental changes render the ideological and political strategies that draw on a system of ideas unprofitable or unfeasible—corresponding to what Jacobsen has described as ‘anomalies accumulating to the point of throwing the reigning model into crisis’ (Jacobsen 1995: 293). Most important among such changes were the constraints imposed by economic Europeanisation/globalisation and the ungovernable dynamics of public debt. The power and salience of such constraints brought a relative primacy of policy over politics, which meant that the ideologicopolitical advantages once derived from national exceptionalism appeared far less tenable.

A simple turn of the pendulum. By virtue of its identification with the status quo, a prevalent system of ideas is bound at some point to become the scapegoat for the inevitable failures, shortcomings and perverse effects of the policies built upon the legitimising discourse produced by that system.

Pivotal realignments within policy and epistemic communities (Zito 2001). Here belongs the increasing transnationalisation and technocratisation of policy, particularly from the second half of the 1980s, when the single market process was reinvigorated. As a result of growing interdependence and functional spillovers within the EC/EU, national policymakers were increasingly integrated within European policy milieus. While in all but a few cases national allegiances remained unchallenged, policy actors were increasingly influenced by the views of their international peers. In a growing number of cases policy actors carried a twin set of often conflicting identities, a national/political identity on the one side, and a transnational/professional one on the other. And as Rose has put it: ‘professional tribalism is as strong as national ethnocentrism’ (Rose 1988: 233). At the institutional level, such realignments took the form of new policymaking substructures and processes (Kohler-Koch and Eising 1999). The expansion of regulatory functions produced an ongoing depoliticisation of policymaking authorities (Majone 1996; Thatcher and Stone Sweet 2002). Most notably, the institutional strengthening and final independence of EU central banks in the 1990s considerably affected the exercise of monetary and macroeconomic policy.

IN CONCLUSION

The comparative case has offered evidence to substantiate that the ideational framework of national exceptionalism can be relevant, as an ancillary or intervening explanatory variable, in accounting for policy divergence. While national exceptionalism as cultural predisposition existed in all three countries, it was only in the case of Greece that it ended up facilitating
policy divergence instead of convergence with the European canon. That was due to the fact that national exceptionalism in the case of Greece presented a high degree of empirical and logical plausibility, along with lending itself (contrary to Spain or Portugal) to a politically beneficial ideological strategy for PASOK in the 1970s and 1980s. This ideological plausibility and political use of national exceptionalism was defined by various ‘material’ determinants, including path dependency, institutional factors, and international and domestic economic constraints. As these factors changed in the 1990s, both the ideological persuasiveness and the political benefits derived from an exceptionalist policy agenda were eroded. At a broader level of analysis, the comparative case testifies to the interrelation between ideas, politico-economic conditions, political strategies, and economic policy choices.

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