THE ENEMY WITHIN: INTRAGOVERNMENTAL POLITICS AND ORGANIZATIONAL FAILURE IN GREEK PRIVATIZATION

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Mainstream approaches explain privatization policy failure by taking account of the surrounding sociopolitical and economic context. This article examines the unsuccessful Greek privatization over the first half of the 1990s by following an alternative approach. It looks at the obstacles originating from intragovernmental politics and the state organizational structures and resources. Contrary to what the British or French experience would suggest, the adoption of a statist, impositional policy-making strategy in the Greek case failed to achieve policy effectiveness. Indeed, it probably ended up accelerating policy failure. The employment of statism as a policy-making strategy was undermined by the structural weaknesses of the state.

Whence the constraints to privatization? Predominantly, the literature views privatization as plagued by a range of obstacles emanating from the sociopolitical and economic context: hostile political-cultural surroundings such as 'a resurgence of the pro-state coalition' or 'old-fashioned nationalism [rearing up] defiantly against the prospect of foreign investment' (Feigenbaum *et al*. 1999, p. 32); a 'social formation associated with a particular type of social regulation – one which . . . was particularly underdeveloped in social capital' (Lyberaki and Tsakalotos 2000); financial market weakness along with the lack of a pro-privatization coalition – also pointing to the collective action problem faced by the diffuse beneficiaries of reforms (Haggard and Kaufman 1992, p. 27); and more specifically, an inability to restructure existing policy networks in such a way as to include new pro-privatization actors and marginalize opponents such as trade unions and middle managers (Wright 2000, p. 530). Alternatively, the failure to consult groups with a direct interest in the policy area has been considered to lead to them blocking the reforms (Jordan and Richardson 1982, p. 88). Typically, obstacles have been attributed to distributional coalitions including status quo business interests (Waterbury 1992, p. 217), or – phrased in relentless public choice terms – the rent-seeking opposition of 'superfluous managers and workers defending their sinecures' (Hanke and Walters 1990, p. 338).

While the political context, the socioeconomic arena, and surrounding policy networks have been the focus of most analyses of privatization failure, far less if any attention has been devoted to the strictly intragov-

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ernmental politics of privatization and the obstacles emanating from state organizational structures and policy milieus. Moreover, there has been a tendency to rely on the assumption that concentration of policy control at the top government level and the adoption of an impositional strategy would override resistances and facilitate privatization. This assumption echoes the influence of mainstream policy implementation studies:

> The final and perhaps least attainable condition of perfect implementation is that those 'in authority' are also those 'in power' and that they are able to secure total and immediate compliance from others (both internal and external to the agency) whose consent and co-operation are required for the success of the programme (Hogwood and Gunn 1984, p. 206; cf. Hood 1976).

Such disposition accords with the policy experience of the British and French governments, chief privatizers of the 1980s and 1990s, who sought to spearhead privatization implementation by maximizing state control. In Britain a centralized, exclusive, interventionist policy style of a strong state developed in tandem with privatization (Richardson *et al*. 1982, p. 13; Richardson 1994; Zahariadis 1995, p. 180). In the contentious British water privatization, the abandonment of consensus-seeking policy consultation for an impositional policy strategy was deemed necessary in order to avoid complete policy failure (Richardson *et al*. 1992). Similarly, French privatizers under the 1986 Chirac government centralized policy command to circumvent resistance emanating from a distinctly pro-public sector sociopolitical environment (Bauer 1989, p. 57). Such centralization of state control was justified by French policy makers on the grounds that 'disposition of the state's assets required extensive cooperation among many economic and financial institutions' (Suleiman 1990, p. 125). The adoption of a statist, impositional strategy in the above cases appeared to facilitate privatization policy success. The strategy was not universal. It was not observed, for instance, in Italy, where privatization decision making was decentralized from government, left to the public holding corporations (Cassese 1993, p. 168).

The effort to maximize government command over the policy process was also a feature of Greek privatization over the first half of the 1990s; its results, however, proved to be considerably less successful than its British or French counterparts. This article seeks explanations for privatization failure at the level of intragovernmental politics and the state organizational constraints surrounding the policy process. Moreover, it seeks to challenge the axiom that a statist, impositional strategy will necessarily maximize policy effectiveness.

Greek privatization was initiated by the 1990 conservative government of *Nea Democratia* (ND), and was continued more reluctantly by the 1993 socialist government of PASOK under Andreas Papandreou. It was accelerated after PASOK's re-election in 1996 and 2000 under premier Kostas Sim-

TABLE 1 *Major privatizations in Greece (1990–99)*

Year	Company
1991	Bank of Piraeus
1992	AGET cement
1992	Athens Bus Company (renationalized in 1994)
1992	Eleusis Shipyards
1993	Bank of Athens
1993	Hellenic Sugar
1994	Neorion Shipyards
1996–99	Greek Telecom (OTE) (minority tranches)
1997	Bank of Attica
1998	Bank of Crete
1998	Bank of Central Greece
1998	Bank of Macedonia-Thrace
1998	General Bank
1999	Ionian Bank
1999	Olympic Catering
1999	Corinth Canal
1999	Athens/Saloniki Water Supply
1999	Athens/Saloniki Port Authority
1999	Duty Free Shops

itis, benefiting from the accumulated policy learning to produce more successful results (Pagoulatos 2000 and tables 1–3). The article focuses mainly on the 1990–93 period of the ND government for the following reasons: (a) it was the period in which the institutional groundwork for privatization was laid establishing the legal framework followed (with minor deviations) by the post-1993 socialist governments; (b) it was a period of strong officially proclaimed commitment to privatization, and yet poor actual results if not outright policy failure (cf. Haritakis and Pitelis 1998). This failure had a lot to do with the polarized opposition of PASOK and the Left to privatization, as well as with the ND government's frail parliamen-

TABLE 2 *Privatization outcomes (1990–93)*

Holder	Privatizations completed	Privatizations failed
Government	Two mobile telephony licenses, Athens Bus Company, tourist enterprises, abolition of trading companies.	OTE, electric power plants, Public Gas and Public Petrol Company, 2 oil refineries, 8 casinos, various tourism assets.
IRO	AGET and 23 companies	33 companies
National Bank	Bank of Chios, Bank of Athens, 8 companies	National Housing Bank, 2 companies
HIDB	9 companies	Hellenic and Neorion Shipyards, 5 companies
Commercial Bank	Bank of Piraeus, Eleusis Shipyards, one company	Bank of Attica, Investment Bank, 3 companies
Agricultural Bank	Hellenic Sugar, 9 companies	Bank of Central Greece, 25 companies

Note: A wide number of minority holdings are not included.

TABLE 3 *Profile of ND government's privatization programme (1990–1993)*

Pressures, rationale, objectives	**Result**
EC legislation	Only in breaches of competition High in AGET and shipyards
Obligations from EC convergence programme and loan	Medium – high (raise privatization revenue)
Ideological	Medium – High
Changing nature of industry	Low (OTE)
Capital needs of state-controlled firms	Medium (major state-controlled banks, OTE)
Improve business efficiency, rationalize portfolios	Medium – High (SCB subsidiaries, AGET, OTE)
Reduce public deficit	High (ailing and indebted subsidiaries)
Raise revenue	High (AGET, OTE)
Enlarge stock exchange capacity	Low
Build 'share-owing democracy'	Low
Attract foreign investment	Medium (Bank of Athens, shipyards, OTE)
Undermine trade unions	Medium (Athens Bus Company, Hellenic Shipyards)
Satisfy pro-privatization coalition	Low
Privatization models and methods:	
Trade sale – public auction	High
Liquidation	High
Resort to capital markets and flotation	Low – Medium
Public tender offer	Low (Bank of Athens)
Employee buy out	Low (one small firm)
Distribution of shares to employees	Low
Leasing and management contracts	Low – Medium
Public construction projects on BOT (build-operate-transfer) basis	Medium – High (Athens metro, Sparta airport, etc.)
Contracting out	Medium (financial valuations)
Privatization features and policy context:	
Restrictions to foreign ownership	Practically none
Typical obligations imposed on privatized businesses	Payment of sale price, employment guarantee, investment guarantee
Institution of non-governmental regulatory bodies	Only National Telecommunications Commission
Stock exchange	Weak
Institutional investors	Mainly banks
Investment culture	Bank deposits or government bonds, not shares
State of firms under privatization	Predominantly ailing
Constraining factors and their impact:	
ND party apparatus	High
Non-IPC government ministers	High (in their controlled public companies and agencies)
SCB managers; company managers; liquidators	Medium – High (when obstructive)
Trade unions	Low – Medium (small firms); High (shipyards)
Competing business interests	Low – Medium; High when allied with media owners
Opposition press	Medium – High
Lack of market interest	Medium
Fear of stock market saturation or market crowding-out	Low – Medium
Legal and bureaucratic problems	High

Comparative sources: Vickers and Yarow 1988, p. 157; Gayle and Goodrich 1990; Ramanadham 1993; Clarke and Pitelis 1993; Lioukas, 1993; INTOSAI 1994; Wright and Thompson 1994 tary majority of two seats, ultimately leading to its premature collapse from power in October 1993. However, policy failure also had a great deal to do with the serious organizational weaknesses surrounding policy implementation, weaknesses associated with the government's limited resources in view of its chosen impositional strategy. The article focuses on this latter set of factors.

THE INITIAL PHASE AND THE INTERMINISTERIAL PRIVATIZATION COMMITTEE (IPC)

At first sight the institutional framework for privatization put in place directly after ND's ascent to power in April 1990 seemed to guarantee a streamlined policy-making process. As early as May 1990, ND established an Interministerial Privatization Committee (IPC), comprising the ministers of National Economy, Finance, and Industry. The IPC undertook to co-ordinate privatization by setting the agenda, determining which companies would be privatized, defining the time schedule and procedures, supervising the process and deciding which rules would apply in each case. The large majority of the companies that entered the programme comprised industrial and other subsidiaries of state-controlled banks (SCBs), as well as all the ailing enterprises under the Industrial Reconstruction Organization (IRO), a public holding corporation founded in 1983. In that initial phase, the IPC had no direct executive authority, only a consultative capacity. In privatization-related matters where government decisions were required, decisions were taken by the Cabinet and not by the IPC, though upon IPC proposal.

This early framework, combined with the limited privatization commitment of the government's two initial National Economy ministers, produced poor results. The two successive National Economy ministers and IPC chairmen of the first one-and-a-half year of the ND government term – centrist-leaning pragmatists rather than ardent neo-liberals – were primarily preoccupied with the urgent macroeconomic imbalances. They were happy to delegate privatization responsibility without applying particular pressure, especially given the policy's contentious nature. On the other hand, the loose and non-institutionalized structure of the IPC also meant that the IPC Secretariat could take very little initiative, and would more or less follow the minister's cautious pace.

THE POLITICS OF THE 1991 PRIVATIZATION LAW

By the middle of the government's term it was becoming alarmingly clear that privatization was dragging its feet. But for a very few IRO and SCB firms, the large majority remained immobilized amidst legal problems, bureaucratic obstacles, and low market interest (EIU 1992, p. 9 ff.). Towards the last quarter of 1991, one of the government's leading neo-liberals was appointed as the new Industry minister, with full privatization responsibility, which elevated privatization to the front line of government priorities. A new framework law was devised by the new Industry minister in December 1991. The new privatization law reversed the previous hands-off government doctrine (which ironically had ended up necessitating repeated top-level interventions to resolve constant procedural dilemmas) by defining detailed privatization and special liquidation procedures, and setting very tight deadlines for implementation. In brief the law provided that whatever company could not be sold through the defined privatization methods (sale of the entire company, sale of the total or majority equity stake, sale through stock exchange, sale of particular fixed assets, leasing, transfer of management) would enter the process of special liquidation. Upon the court ordering a company's entry to special liquidation all its workers would be made redundant, unless the creditors (SCBs) required the retention of all or some of the company's workforce; if after three consecutive public auctions no interested investor emerged, the company would close down, its assets sold one by one (Law 2000/91, art. 14).

The new framework upgraded the IPC's status by institutionalizing it into a formal governmental body with full executive authority on all privatization-related matters, its decisions treated as final without reference to Cabinet (cf. Mackie and Hogwood 1984, p. 299). For the sake of ensuring prompt compliance to IPC instructions the privatization law re-included SCBs to the wider public sector (from which a 1990 law had formally exempted them) and endowed IPC with increased authority including the ability to determine which bank subsidiaries would enter the programme against the will of their holder institution and to oblige the latter to move forward with the privatization.

The law, drafted by a small team of free-marketeer advisers to the Industry minister, was modelled mainly after the Argentinean privatization law while taking into account the British experience; the latter was broadly regarded and invoked by all government privatizers as a paradigm of policy success. (On the contrary, French privatization was specifically mentioned by the Industry minister as a negative model because of its obstacles and delays – Parliament Minutes, 4 December 1991, p. 1943.) However, the Greek post-1991 'privatization model' shared only a few similarities with the Thatcherite model (see Marsh and Rhodes 1992; Marsh 1990), apart from their common non-corporatist, non-consensual policy style – perhaps a bit of the ideological rhetoric too. First of all, the promulgation of a framework law for privatization already signified a diversion from Thatcherite privatization. Unlike the British and the Spanish governments of the 1980s, but quite like the French (Maclean 1995, pp. 280–2) and the Portuguese (Pagoulatos and Wright 1999), the ND government by 1991 had decided that a specific legal framework was needed to overcome both the holders' reluctance to privatize ('holders' meaning the IRO or SCBs or government ministries officially in control of the privatizable companies) and the ambiguity of the existing legal regime. Then, unlike the British and the French, the role of the Greek Finance Ministry was never central in privatization.

Moreover, contrary to the British policy of restructuring companies before privatizing them (Heald 1989, p. 36 ff.), the ND privatizers had taken the early decision to privatize companies, including the heavily ailing ones, directly as they were. This strategy had resulted from the failed experience of IRO in the 1980s (whose aim in theory was to restructure its subsidiaries and return them to the private sector), as well as from a sober appreciation of the practical difficulty of finding professional *and* politically co-operative managers committed to both overhauling and privatizing their companies.

The privatization law's rationale was grounded on a theoretically informed 'pessimistic' perception of the negative reflexes of government officials towards privatizing, i.e. surrendering control over some of their sphere of influence. From this stemmed the law's most striking internal contradiction, that while defined by fundamentally anti-statist objectives it employed heavily statist means for obtaining them. Indeed, in order to confront the anticipated resistance of government ministers and officials, the Greek law granted the IPC increased if not excessive power. To give an indication of its severity, the law obliged every minister to submit within 30 days a detailed proposal on the direct privatization of controlled entities and organizations falling under their jurisdiction. Failing that deadline, or in case of a negative proposal, the IPC was authorized to overrule the minister by deciding itself on the companies and entities to be privatized.

True to the law's underlying public-choice expectation, government ministers were not prepared to cede control over their own turf. By the end of the deadline including all subsequent extensions, very few ministers had submitted proposals, and the government 'barons' were preparing their fists for their colleague of Industry should he attempt to intrude into their domain. The intragovernmental conflict instigated by the new privatization law extended into the IPC itself. In its effort to empower the Industry minister and centralize the process under his authority, the law established an unorthodox dyarchy regime under which the IPC continued to be chaired by the National Economy minister (with the Industry minister and the Finance minister as regular members, and the minister supervising the privatizable entity under discussion as *ad hoc* member, making decisions subject to majority rule) but the responsible authority for submitting proposals and supervising the overall project of privatization became the Industry minister.

In short, the new formal structure was personally tailored to suit the Industry minister, an ardent privatizer, granting him increased power with the single aim of breaking the deadlock. However, removing privatization from the responsibility of the economic ministers ran against conventional wisdom, as it deprived the process of probably its strongest driving force, namely the revenue-raising incentive. From the British Treasury to the French Ministry for the Economy and the Ministry for the Budget (Dumez and Jeunemaitre 1994), to the German Federal Ministry of Finance (in the 1983 CDU privatization program) (Esser 1994), throughout Europe privatization was overwhelmingly handled by economic ministers. The Greek arrangement was a non-viable one. The advent, in February 1992, of a new ambitious privatizer in charge of both the National Economy and the Finance ministries made that all the more evident. The new National Economy minister reclaimed his ministry's central role, reinvigorated the government's privatization strategy advisers, and reactivated the IPC secretary under the National Economy Ministry, thus leading to a clearly bipolar structure in the IPC. Intragovernmental dyarchy over privatization and the unclear boundaries of each ministry's exact sphere of responsibility bred antagonism and constant friction that further aggravated the already problematic implementation of privatization. This point will be further illustrated later on.

VOLUNTARISM AND THE LACK OF PRIOR EXPOSURE

No combination of good intentions and voluntarism on the privatizers' part could offset the lack of internal organizational and expert policy resources. From its first moment, the government's programme was confronted with the effects of the complete absence of anything similar to a privatization experience on the part of all main policy makers. The Greek technocrats who were called in to assist the IPC circle were also more or less inexperienced on the practical side. The government had to rely exclusively on the appointed foreign privatization advisers, who assumed duties in January 1991, and whose international technical expertise was nevertheless offset by their unawareness of the various domestic impediments.

Put briefly, privatizing zeal was not matched by prior policy preparation, nor even a policy precedent of privatization. While privatization, at least of the IRO and SCB ailing subsidiaries, was on the ND's election agenda since 1987, no systematic elaboration of its policy and procedural specificities had taken place. During the 1986–87 stabilization programme under PASOK some first but ineffectual steps had been taken to overhaul certain IRO firms and transfer them to the private sector. A similar initial policy formulation effort was made during the short-lived 1989 coalition governments, which, however, remained mostly at the stage of documenting the scope of the IRO problem. So not only was a concrete idea of the actual scope of the state-controlled sector lacking, but there were practically no government officials who had thought out privatization at a policy level instead of a merely ideological one. (Of course, the gravity of these observations is notably mitigated if one considers that even those most zealous Thatcherite privatizers have been described as lacking a 'grand strategy', characterized by 'ad hocery, incrementalism and rapid learning and reaction when things went wrong' (Jackson 1992, p. 11)).

UNINVOLVED: THE ROLE OF PUBLIC BUREAUCRACY

In systems with a developed and autonomous civil service, lack of relevant prior knowledge of government policy makers over their new realm of responsibility is offset by the accumulated experience, standard operating practices and 'routines' of the tenured ministerial bureaucratic apparatus (Suleiman 1974, p. 165 ff; Dogan 1975; Peters 1979, pp. 347–9; cf. Rose 1987; Peters 1992, p. 296 ff; Davis 1996). Even if these features accurately portrayed the state of the Greek state bureaucracy (which they certainly did not – Spanou 1992; Sotiropoulos 1996), the latter would still have lacked the possibility of filling in the gaps of ministerial inexperience for the simple reason that it had never witnessed anything similar to privatization before. But, aside from that, public bureaucracy in general was more or less incapable of substantially assisting privatization, if not at times prone to obstruct it.

The civil service apparatus was seriously disengaged from privatization-related policy making and implementation. Largely distrusted, ministerial bureaucrats were left outside the IPC and broader government meetings where privatization was discussed. Policy making was dominated by the 'political leadership' of the ministries (ministers, underministers, secretaries general, and their advisers) and the managers of public companies and SCBs, who nevertheless were government/political appointees and outsiders of the public administration corps. The problem was not so much that the flow from civil service to government was inadequate, ministers received regular input from their departmental bureaucracies. The problem was rather that the bureaucracy was largely isolated from the radical change in government direction, was outside the 'policy spirit', and was thus impaired when it came to serving as an effective executive instrument.

The exclusion of public bureaucracy from privatization decision making by the ND policy makers was one aspect of its relationship with the government. The bureaucracy's unwillingness to become involved was the second and even stronger aspect. Higher civil servants were generally accustomed to ministers operating with their own circle of advisers and with a minimal use of tenured personnel, mostly with reference to purely bureaucratic matters. Public bureaucracy was always imbued with deep-rooted insecurity and suspicion toward its government superiors, dating back to traumatic experiences of partisan appointments, promotions and eliminations at the higher echelons. If one policy probably mobilized those reflexes of civil service insecurity to the extremes, that was privatization. Career bureaucrats in government bodies involved in privatization felt weaker than any policy maker and unprotected from the political controversy privatization invited. They knew little about the real stakes underlying privatization, but suspected them to be reasonably high. They were aware of how easy it was for anyone participating in contentious policies to become fatally exposed by opposition media. On the other hand, the vast majority had nothing to gain by getting involved – though an eager few would get involved if there was something to gain. In the late 1980s, the legal services of the Finance Ministry had been implicated by the justice system and the press in an obscure settlement for which, as obliged, they had given their legal opinion. So recent experience also served as a deterrent. Consequently, for example, tenured legal advisers of ministries would refuse to take responsibility and place their signature under even the minor details of privatization-related documents, referring everything to the upper hierarchical levels all the way up to the Assembly of the Legal Council of the state. At the very least all this entailed significant delay.

Differently viewed, the less the resources available to government policy makers the higher the need to utilize civil servants. The National Economy minister, supported by his underministers, secretaries general, the IPC secretary, the Council of Economic Advisers and the government's privatization advisers, probably had less need to rely on tenured resources than the Industry minister, who only had the backing of his underminister (and that far from secured), his secretary general, and the privatization secretary. As the latter's role from 1992 required constant monitoring of the entire privatization process, the tendency there to rely on career civil servants was, by necessity, higher. Their utilization was selective both in terms of the people targeted and the nature of the assigned tasks. The Privatization Secretariat looked for politically like-minded civil servants with pro-privatization views – a selectivity that can be considered a way of actively politicizing bureaucracy (Rockman 1992, pp. 159–60). Apart from those recruited by the Industry Ministry, assistance was also sought from other ministries whose controlled entities were earmarked for privatization, mainly those of Health and Agriculture. In some cases, for instance the Agriculture Ministry, such co-operation was obstructed at top ministerial level. Ministerial bureaucrats were normally assigned routine tasks such as providing information on their controlled entities and regularly reporting on their privatization progress, instead of being asked, for example, to evaluate privatization possibilities or to suggest ways of facilitating the process.

Essentially unassisted by, and largely distrustful of the civil service, the IPC policy makers attempted to rely extensively on small and flexible task forces of usually younger enthusiasts surrounding top government officials. However, these teams, as well as the foreign advisers, faced serious problems of co-ordination not only with each other but mostly with the ministerial bureaucracies which had inevitably to carry out much of the implementation. Multiple parallel smaller centres operated, producing a flow of usually unarticulated and generic policy proposals, which however remained without further follow-up because the main IPC policy makers in whose hands these projects ended were overengaged with a host of other matters. A constant bottleneck existed at the implementation stage that annulled the utility of any output produced in the preceding stages.

POLICY OVERLOAD AND THE PROBLEM OF HUMAN RESOURCES

The weaker the role of ministerial bureaucracies and the more top-centralized the process, the more different ministerial approaches and styles mattered. A reduced privatization commitment on the part of a National Economy or Industry minister directly meant less privatization zeal within the IPC, and thus a sense of weaker government pressure exerted upon privatizing holder SCBs. But the combination of top-centralization and weak bureaucratic apparatuses also meant there were limits to the amount of output even the most committed privatizing minister could produce. The more important the projects, the greater the complexity, the higher the stakes, the more forceful the resistances and competing interests, the stronger the requirement for a personal ministerial involvement, and the weaker the possibility for delegation to the underminister or secretary general. Evidently, a minister could only afford to manage a limited number of projects each time, given that privatization was, after all, only one among many responsibilities for both the National Economy and the Industry ministers. If important and urgent decisions had to be taken and could only be taken at the ministerial level or higher, then inevitably many significant issues would stall, and delay at the top level would induce similar delays at the lower echelons where decisions were implemented.

Neither could limited availability at a ministerial level be offset by tighter and better staffed task forces. The strain on the problem of scarce responsible human resources was not so much on the number, nor even on the competence, but on the hierarchical power and ability to confront obstacles and resolve complications. Given the intense resistance to privatization by much of the governmental and party apparatus (let alone powerful economic interests and political opposition forces) it required someone with the clout of a minister to curb the resistance and push through. That said, the composition of ministerial executive staffs was not necessarily of the highest effectiveness. They could assist but they could not undertake implementation responsibilities and they were often diplomatically ignored by turf-minded ministerial services and state agencies. Finances were tight to allow the hiring of professionals other than the official privatization advisers – the government budget provided for privatization revenues but not for privatization costs, and these were far from negligible. Given the inadequacy of staffers and the reluctance of bureaucracy, underministers and secretaries general had to grapple with all sorts of small problems, but even after that a good deal were still left to be finally resolved personally by the minister or the IPC. All in all, a set of organizational conditions combined in overloading the higher IPC echelons (from ministers to state secretaries) with every privatization-related matter and decision, undermining output effectiveness. Consequently a tendency to serious short-termism characterized the government's entire privatization apparatus. They were forced to treat problems 'as and when they came', with very little chance of taking a long-term view, designing strategy, examining alternative prospects and weighing policy effects against each other.

The combined consequence of policy overload at the top ministerial levels, and general weakness, inflexibility and noncommittal disposition at the lower levels, was a serious lack of executive follow-up and implementation of government decisions. Repeatedly decisions were taken in closed discussions between top government officials, and these remained without any sort of follow-up action. Other times, tasks were initiated by the ministers and delegated to their assistants, until they were simply abandoned and forgotten buried under the load of pending jobs. In hierarchical structures, such generalized lack of policy follow-up possibly suggests a serious deficit of management capability in the top ministerial posts; however, given its routine character, the problem is more easily attributable to the feeble organizational structures and resources of the government machine. The 'superimposition' of a functionally 'alien' ministerial circle of appointees upon the ministry's tenure, bureaucratic apparatus, and the weakness of subsequent channels of communication between those two separate substructures, formed the organizational basis for executive discontinuity.

'THAT'S HOW IT IS BECAUSE THAT'S HOW IT IS': CAVALIER MINISTERS AND CONTEMPT FOR DETAIL

Being located at the top, the lack of an adequate follow-up was not a sole function of organizational constraints. It also reflected a ministerial policy style characterized by probably excessive reliance on informal decision making. As already mentioned, interaction within the IPC circle under all three National Economy ministers took place under considerable informality. The centralization of decision making at the close top government level tends to breed an air of excessive self-reliance if not arrogance, particularly given the nonexistence of a strong public bureaucracy to filter ministerial voluntarism. Adding informality to that mixture (serious issues being discussed often only between ministers, typically without the presence of civil service officials or the expert privatization advisers, without minutes being kept) could further encourage a slack attitude with regard to policy detail. Indeed strong evidence exists of an incautious disposition of IPC ministers *vis-à-vis* serious technical aspects (for example, in the privatization of cement industry AGET and the attempted privatization of the Greek Telecom). Evidently, the primary focus of top government officials was on the political side, may be for some on the policy side too, certainly not on the technical side. However, a heavy disregard of the technicalities also ended up undermining the quality of policy outcomes. A reliable insider summed up the problem:

> [M]any decisions were clearly based on gut feeling. 'That's how it is because that's how it is'. In addition, there was a chain of acts and decisions clearly contravening the recommendations of experienced

> advisers and bankers who were alerting to the mid- or short-term future consequences of a certain arrangement (. . .). It was not out of self-interest that expert recommendations were ignored but because a state banker or underminister would say: 'uh, come on now. . .'. They were not considering the repercussions, everyone thought they knew everything (interview with higher government appointee).

The above attitude is consistent with the policy style that prevailed particularly after the 1991–92 advent of the ND government's most committed privatizers to head the Industry and National Economy ministries respectively. Both were haunted by the poor privatization performance of their predecessors and felt a strong urge, intensified by time pressure, to deliver visible policy results. Being strongly goal-oriented meant that they tended to treat procedural details with disregard if not sheer contempt. Such matters not only included bureaucratic complications, where indeed a resolute ministerial attitude helped to overcome unnecessary delays, but also tended to involve the entire 'due procedural' and legal structure established to guarantee the transparency required for reasons of protection from political polemic and for the purpose of safeguarding the credibility of privatization. At times the urge to conclude pending procedures was such that ministers exercised forceful pressures upon state bankers or the IRO to move to a 'quick fix' even at the cost of discrediting the process. In such cases, however, the IPC ministers' or underministers' occasional zeal was often frustrated by the lack of government willingness to undertake the cost of openly endorsing the disputable privatization procedures. Such endorsement could be provided, for example, by vesting orders to SCB managers with the power of parliamentary legislation or at least a formal authorization by the bank's general shareholders assembly. This type of backing was repeatedly demanded by SCB managers as a necessary prerequisite for streamlining privatization in cases where a procedural acceleration might appear dubious. The fact that such backing was often not provided indicates that the government overall was not willing to become exposed to harmful allegations for the sake of expediting privatization.

A cavalier ministerial attitude to detail was also encouraged by another factor. The government was aware that two main aspects of privatization deals made it particularly vulnerable to political criticism: price obtained and employment guarantees. At least for their major subsidiaries, SCB administrations and the IRO had been instructed by government (to a certain extent against European Commission directions for taking only price into account) to place their emphasis on obtaining the best possible terms for both. This inevitably meant being less demanding on the remaining aspects of the deal, such as the buyer's reliability or the solidity of the granted legal guarantees. Such detailed and complicated contract clauses were not easily subject to political exploitation since it was also difficult for the opposition press to figure them out. Thus government and SCB policy makers tended to attach secondary importance to them. Considerations of political cost also ended up encouraging a certain short-termism in evaluating the investors' real business prospects, a short-termism also grounded in a realization that the SCB holder or even more, the government, could not be held accountable for a possible collapse of the privatized company at a later phase. (Such was the case with the Eleusis Shipyards, whose real condition was far worse than the new private ownership had estimated it to be, leading to a subsequent collapse of the company).

UNDERMINING CENTRALIZED CONTROL: OVERLAPPING AUTHORITIES, BUREAUCRATIC COMPLICATIONS AND DEPARTMENTAL PATRIOTISM

Overlapping ministerial authorities and serious functional ambiguity accounted for a good deal of bureaucratic complications and delay. The case of the Hellenic Industrial Development Bank (HIDB), holder of a broad portfolio of industrial subsidiaries, was revealing. The HIDB was formally supervised by the Industry Ministry but the 100 per cent shareholder and subsidizing state authority was the Finance minister, who also held most of the power of appointing the bank's management. So the Industry minister was responsible for supervising the HIDB, being hierarchically superior, but was unable to control the bank's administration by imposing dismissal or replacement. On top of that, the National Economy Ministry, the official supervisory authority over the entire banking system, also had its own claim of control over the HIDB. Under the façade of unitary government control, irrational and ossified organizational structures encouraged the inherent tendency – result of the conservative party's personalistic tradition – for intragovernmental feudalization. Inevitably the ambiguity of ministerial control created friction between the Industry and the Finance Ministries, forcing them to compete in order to assert authority over certain spheres of the HIDB's operation. A similar case was the IRO and its controlled subsidiaries, where the Industry minister was the supervising authority but the Finance minister was the shareholder.

A typical set of problems arose from the difference of views not so much between the overlapping ministers – whose disagreements could theoretically be settled more easily within the IPC framework – but among their ministerial apparatuses. Indeed, defending departmental jurisdiction and resources from incursion on the part of other competing ministries was one of the few causes for which tenured ministerial civil servants would even attempt to assume initiative. In such cases, departmental patriotism of the bureaucracy would tend to override the proclivity towards avoiding workload and responsibility. Higher ranking, ambition-driven bureaucrats, despite their aforementioned extreme caution and insecurity, would tend to consolidate if not expand departmental control also in order to accommodate their minister (a conclusion based on interviews with two government ministers and a higher ranking civil servant). In this context, the attitude of 'standing for the department's rights' could be interpreted as a pre-emptive adaptation of higher bureaucrats to what they regarded as their minister's political expectation from the job, namely maximizing available opportunities for power and control. In any case, departmentalism – even if more a result of intragovernmental feudalization than an expression of bureaucratic autonomy – tended to constrain the efficient formulation and implementation of IPC decisions (cf. Laver and Shepsle 1994, p. 307, *passim*).

Ministerial bureaucrats imbued with the culture of departmental consolidation would often carry these views in representing their ministry's interests against those of a competing ministry. In one known case, the tenured legal counsel of the Industry Ministry acting on behalf of the HIDB's interests and in defence of an HIDB subsidiary endebted to the state, confronted in court the legal representative of the Finance Ministry. The HIDB representative argued in support of a debt settlement in order to enable the company's privatization, and the representative of the Finance Ministry refused to accept the settlement. The immediate paradox of this example lay in the clash of the perceived interest of the direct shareholder (Finance Ministry) not only with that of the 'competing' ministry (of Industry) but also with that of the controlled bank (HIDB) whose administration the shareholder supposedly had the power to appoint and dismiss. This is also an example of how unanimous IPC decisions for privatization were derailed at the stage of implementation by the bureaucracies of those very same ministries presumed to be forcefully in support of swift privatization. Such evidence also provides an eloquent caveat against overreliance on a notion of 'government' will and determination; the government's assumed unitary corporate logic is in reality far weaker and more segmented than it appears to be (cf. Peters 1995, p. 218).

So the IPC was called to operate amidst an extremely adverse legal-institutional status quo. While blessed with the absence of constitutional obstacles (which had constrained for example French and Portuguese privatizers), Greek privatizers were plagued by overlapping and interlocking public control regimes that very often rendered unattainable the vertical government command that the privatization law attempted to establish.

CABINET DIVIDED AND THE ROLE OF THE PRIME MINISTER

This deep government fragmentation underlay the discrepancy between heroic privatizing proclamations and poor privatizing results. Very often over zealous ministerial or prime ministerial pronouncements were at odds with the government's lack of real determination to ignore resistance and move ahead. To quote a government insider:

> Never mind the legal and institutional obstacles, privatization stalled because many of the ND government members (including IPC ministers) who wanted it didn't know what it took, while many of those who pre-

ached it because it was part of ND's program were in fact dead against it (interview with higher government appointee).

For a catch-all conservative party with a rather centrist economic background, which had officially espoused a market-liberal agenda in as late as the mid-1980s, that should hardly seem surprising. Not only had the ND itself achieved state expansion in the immediate post-authoritarian period, and some of the government's leading figures were concerned about the socio-economic repercussions of privatization, but – perhaps more importantly – a steady majority of cabinet members were increasingly worried over its swelling political cost. Indeed, as conventional public choice analysis would anticipate, privatization was politically deleterious in almost every respect. It confronted well-entrenched public sector interest groups, it disaffected powerful business interests benefiting from preferential government contracts, it exposed government to constant allegations of corruption which could even involve criminal charges. From the point of view of government members', privatization meant shrinking control of politico-economic resources, diminished capacity for patronage, and growing dissatisfaction with a client-driven party apparatus. Meanwhile no particular pro-privatization coalition had emerged (especially given the financial sector's underdevelopment and the government control of nearly 80 per cent of the banking sector in the early 1990s), nor any of privatization's alleged benefits dispersed among the broader public in the form of presumably better services, reduced public deficits, and higher market efficiency.

A general obstacle to implementing privatization came as an indirect effect of government feudalization. Apart from the IPC's bipolar structure that bred antagonism, the main hindrance was located with non-IPC ministers. The presence of cabinet members clearly opposed to an extension of privatization to anything more than ailing SCB and IRO subsidiaries undermined the government's policy credibility. Intragovernmental opposition to the privatization of major public enterprises and utilities vested the policy with negative connotations that ended up undermining the privatization of even the less controversial ailing subsidiaries. In addition, ministers voiced concern over the unemployment effects of closing down ailing firms. Noncommittal attitudes or outright opposition from the government's ranks gave arguments to a host of privatization sceptics and granted inward acceptance to their own critical stance. As a government official put it: 'When the Transport minister is dead against it and he controls postal service, bus transport, the water corporation, Olympic Airways, and the Greek Telecom, then that's it'.

Indeed, far from a single-minded executive body, the government repeatedly came close to giving the impression of a 'federation of departments' (King 1994, p. 213), a collective organization in which different views, even on central issues, would be tolerated for the sake of power balances. The existence of multiple centres of power below the Prime Minister, strong enough to retain their sphere of control intact (often in order to counterbalance the control of an opposite power centre), was also exhibited in the endurance of hierarchically subordinate administrations which nonetheless openly opposed the government's official policy. For example, the government-appointed administrations of OTE were explicitly against the company's privatization and yet retained their posts.

The general governmental unease toward the political repercussions of privatization could not leave the effectiveness of the small IPC circle unaffected. Whenever a company under privatization belonged to the jurisdiction of a sceptical minister, the IPC would face orchestrated procrastination or even blatant refusal of the ministerial apparatus to co-operate – a pattern that was also observable in British privatization (Foster 1992, p. 110). There were cases of ministers or secretaries general who refused to sign any privatization-related contract; in other cases IPC-appointed advisers were prohibited from working inside specific ministries, all information withheld from them, their phone lines disconnected. But even if IPC members were all ardent privatizers, and if government opponents could be circumvented, even then the IPC – though an autonomous decision-making body after the 1991 privatization law – would still have to be in accord with the intragovernmental climate.

That was where the Prime Minister's role became decisive. From the functional requirements of the office, the role of a Prime Minister is one of steering government towards implementing its main policy priorities as much as it is one of striking the right balance among conflicting objectives. In as much as the 1990–93 Prime Minister, Constantine Mitsotakis, was a reform-minded, EU-pressured premier, he was also the head of a heterogeneous government shaken by internal antagonisms as well as the leader of a mass party mechanism with its own state-possessive logic. While a true believer in economic liberalization, premier Mitsotakis was (along with Papandreou) one of the two remaining 'dinosaurs' of Greek political life, a master of political manoeuvre, a centrist by political origin, moderate by temperament, a middle-of-the-road pragmatist by conviction. These constituents of the personality factor delineated a leadership style characterized by highly developed political instinct; they suggested a thorough appreciation of the various political implications of policy options, and indicated a readiness of the premier to operate with full recognition of the surrounding 'objective' political constraints.

Indeed, from the moment Mitsotakis abandoned the plan of pursuing a new comfortable parliamentary majority by instigating yet another early general election under a new electoral system of reinforced proportional representation, the government was surrendered to all the destabilizing possibilities that its frail two-seat majority could imply. The narrow parliamentary lead maximized the bargaining power of dissident MPs, intensified the usual horsetrading for the distribution of political resources, and subjected the government to the imminent threat of an overturn. The early expectation that the ND's parliamentary group would be kept cemented behind the unchallenged leadership of its premier was soon to dissipate as the government was faced with consecutive 'hard' decisions that added politico-ideological differences to the already lurking interpersonal antagonisms. The combined conditions of numerical frailty in Parliament, relative nonconformity in government and entrenched client expectations in the party dictated to Mitsotakis an extensive recourse to the art of political compromise. The need to keep together a Cabinet divided over turf and issues while implementing an unpopular stabilization programme meant a constant effort to retain intragovernmental balances and placate powerful cabinet barons (cf. Weller 1997; Andeweg 1997).

Consequently the Prime Minister sought to derive a synthesis between the privatizing zeal of IPC reformers and the 'old politics' largely represented by the rest of his government and party apparatus. On issues of major priority, such as the privatization of the AGET cement company and the OTE – both important because of their high expected revenue – the premier defied opposition and backed the IPC effort. On policies threatening to cause serious intragovernmental crises which would outweigh their expected economic return he tended to call for retreat. For example, the IPC decision of closing down over a hundred public agencies and companies controlled by other ministries was overturned by Mitsotakis in a turbulent cabinet meeting, despite the protest of a minister-member of the IPC that, by government's own legislation, IPC decisions were vested with the formal power of cabinet resolutions thus not being subject to cabinet revision (cf. EIU 1993, p. 7). In repeated cases of IRO and SCB larger subsidiaries where political cost was mounting, the premier restrained the privatizing zeal of IPC ministers.

IN CONCLUSION: THE ELUSIVENESS OF STATIST EFFECTIVENESS

Our state-centric approach of the Greek case provides an argument for explaining privatization failure by looking beyond unidimensional public choice explanations or the usual focus on the sociopolitical and economic context. Instead, two additional important factors usually overlooked by the literature have been pointed out as crucial: intragovernmental politics and the constraints generated by state organizational structures.

Our case study also serves to cast doubt on a mainstream expectation that statist, impositional policy making should maximize privatization policy effectiveness. This addresses what has come to be known as the 'paradox' of privatization: while a policy of reducing the government sector, privatization is often implemented through intensifying government control over the policy process (Wright 1994, p. 41; cf. Richardson 1994). The Greek experience points to a second 'paradox': despite the effort to intensify government control (or indeed because of it) privatization has led to policy failure. Indeed, a fully-fledged mobilization of state control for the purpose of policy making effectiveness in the case of privatization may prove self-defeating. Statist unilateralism may accelerate policy failure if the preconditions of state resource capability are missing. The centralization of full hierarchical government control over privatization may not only be hampered by persistent organizational impediments but may in fact contribute to undermining that same objective of policy effectiveness. The concentration of momentous privatization authority in the hands of one or two ministers, combined with the inadequacy of supportive policy substructures, created a tendency of personalizing power, breeding an air of perhaps excessive informality and arrogance towards crucial policy detail. That led to ill-devised strategies producing defective outcomes that further exacerbated the political controversy surrounding privatization, while encouraging the non-cooperative attitude of cabinet members and state apparatus. The excessive concentration of power, the choice of 'imposition over negotiation and agreement' (Rhodes 1997, p. 217) polarized the opposition of competing governmental actors and bureaucratic milieus (cf. Rockman 1989, p. 185). It appeared as antagonistic to other government departments, thus further contributing to the state fragmentation that undermined effective policy implementation.

From the limited resources in the top government milieus, to the internal divisions in the Cabinet, to the ambiguous and overlapping organizational structures and routines linking government bodies and enterprises, and to the weakness of ministerial bureaucracies, the impact of constraints appeared overpowering. Against those constraints, government privatizers stood pressured by the 'objective' forces of economic necessity, driven by ideological zeal, ambition or sheer political interest, and equipped with what they probably perceived to be their most vital resource, namely their ability to hierarchically impose their desired policies against all resistance.

Yet, the effectiveness of statist impositional policy making proved elusive. While general privatization policy was formulated unilaterally inside a small government circle from which societal actors and interest representatives were excluded, from the moment policy entered the stage of detailed formulation and implementation things turned out differently. At that stage the composition of the policy milieus was altered, and so were the internal dynamics. As the number of involved actors expanded and privatization became exposed to the forces of dissent and politicization, the balance between pressures favourable to privatization and forces opposing it radically shifted in the latter's favour. Consequently, some of the actors in the initial policy circle around the IPC who at the formulation stage might have appeared committed to privatization, in view of the manifested reactions became hesitant, unwilling or even covertly obstructive. Thus, what initially appeared to be a consensus-driven privatizing core executive (Rhodes and Dunleavy 1995) was prevented from bringing about the desired policy results as a result of its embeddedness in an adverse institutional setting and a conflictive sociopolitical context.

At a deeper level of analysis our case study points to the disjunction between a statist strategy and the structural preconditions needed to render it successful. An effective strategy of exclusive, centralized, impositional policy making presupposes not only the will to act with high policy autonomy from dissenting sociopolitical interests, but also requires the ability to do so. This ability is highly dependent on a range of preconditions typically associated with statism as a structure of state-society relations: strong organizational resources in the hands of state policy makers; a cohesive executive with a recognized ability to speak for the public interest; clearly delineated spheres of departmental responsibility; a capable administrative machine equipped with civil service ethos and able to serve as an executive instrument (Zysman 1983; Evans, Rueschemeyer and Skocpol 1985; Hall 1986; Atkinson and Coleman 1989; van Waarden 1992; cf. Hood 1998, p. 73 ff). The underdevelopment or absence of these conditions seriously impaired the effectiveness of the statist impositional strategy, increasing the chances of policy failure. Depending on these preconditions or lack thereof, an affirmed expression of statist command may signify dominance, but it may also conceal weakness.

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