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ARTICLE

STATISM, SOCIAL POLICY AND THE MIDDLE CLASSES IN GREECE

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Summary

This article discusses welfare policy and the trends of development of public expenditure and the social budget in Greece in the post-war period. Particular emphasis is given to the expansion of income transfers during the 1980s under the conditions of economic recession. An understanding of the relationship between the state and civil society in Greece is crucial for explaining social policy developments. Our analysis focuses on the strong grip of politics on civil society, which constitutes a major aspect of Greek statism and contributes to an increased fragmentation of social demands and conflicts.

The main argument of this article is that the growing size and political weight of the middle classes since the mid-1970s intensified social fragmentation and the contradictions of Greek statism, and made it more difficult to achieve any consensus about social policy aims. Public expenditure and the social budget increased significantly during the 1980s, as a result of pressure from various middle-class strata, yet no major changes occurred in the logic of the distribution of social provision. Competition among the middle classes for access to political power and the state apparatus intensified, and this put severe limitations on the possibilities of any reforms aimed at redistribution on the basis of social need.

Résumé

STATISME, LA POLITIQUE SOCIALE
ET LES CLASSES MOYENNES EN
GRÈCE

Cette étude se penche sur la politique sociale

et sur les tendances que l'on a pu observer en Grèce, pendant la période de l'après-guerre, dans l'évolution des dépenses publiques et du budget social. L'accent est mis en particulier sur l'expansion des transferts de revenus qui eut lieu pendant les années quatre-vingt, dans des conditions de récession économique. Si l'on veut expliquer les développements de la politique sociale en Grèce, il est indispensable de comprendre les relations qui existent entre l'Etat et la société civile. Le grand pouvoir de la politique sur la société civile est examiné dans notre étude; il constitue, en effet, un des aspects les plus importante due statisme grec et contribue à la fragmentation croissante des demandes et des conflits sociaux.

L'argument principal de cette étude est le suivant: depuis le milieu des années soixante-dix, l'importance numérique et politique toujours croissante des classes moyennes a renforcé la fragmentation sociale ainsi que les contradictions du statisme grec, rendant encore plus difficile la réalisation de tout consensus en ce qui concerne les objectifs de la politique sociale. Pendant les années quatre-vingt, on enregistra une forte augmentation des dépenses publiques et du budget social, qui fut la conséquence des pressions exercées par diverses couches des classes moyennes; cependant, aucun changement notoire ne survint dans la logique de répartition des mesures sociales. Au sein des classes moyennes, la concurrence pour accéder au pouvoir politique et à l'appareil gouvernemental s'intensifia et entrava fortement les possibilités de toute réforme envisageant une nouvelle répartition basée sur le besoin social.

Introduction

Trends in the development of the welfare state in Greece are opposite to those of most other

west European countries. In the 1960s and early 1970s, when Greece experienced comparatively high rates of economic growth, and in spite of increasing state intervention in the economy, welfare policies were rudimentary and a debate about the need for a welfare state almost non-existent. Yet in the period of economic recession, when the welfare state has been contracting in most west European countries, in Green society social provisions have been expanding.

During the 1980s there was a rapid increase in government expenditure and a pervasive political rhetoric calling for institutional reforms to enhance the social role of the state. This tendency is closely linked to significant changes in the socio-political structure which, in the beginning of the 1980s, brought to power a broad alliance of the urban middle/lower middle classes and the peasantry, who rallied behind the Panhellenic Socialist Movement (PASOK).¹

However, the rapid increase in government expenditure and the social budget, by the successive PASOK governments, hardly led to the development of a welfare state either of a Keynesian type (and variations of it) or of a socialist type.² Although more resources are distributed through the state, direct state provision of social services remains very limited and social policy measures are highly fragmented and uncoordinated. Undoubtedly the economic recession does not provide favourable conditions for an expansion of the social role of the state. Yet, as we attempt to show in this article, the limitations and contradictions of social policy in Greek society during the 1980s are not so much due to the recession, as to the particular characteristics of Greek statism in relationship to the rise to political power of the middle classes. This limited the possibilities of any consensus about the aims of social and economic development. In Greek society such consensus was extremely fragile even in the period when economic growth was comparatively high and income per person was rising fast.

In the first and second part of the article we examine the trends in the development of government expenditure and the social budget, in the post-war period, with an emphasis on policy areas such as income maintenance, health and social welfare. The analysis will show that welfare policies in Greece hardly aim at a redistribution on the basis of social need and social citizenship rights. Related to this is the fact that social policy is exercised through state interventions which are circumscribed by the logic of statism.³ These are crucial issues bearing upon the kinds of demands made on the state by social groups, the role of the state in the processes of creation and distribution of revenue in Greek society and the type of legitimation of these processes. In the third part of the paper we consider these issues by focusing upon the socio-economic conditions during the period of economic crisis and the new social and political alliance which came to power in the 1980s; in the fourth part we examine the impact of these conditions on social policy. The emphasis is on a major contradiction which pervades intra-middle-class conflicts and demands: the pressure for increased social provisions is based on statist ideology and practice. This restricts redistribution to those social groups which are the winners in the struggle for access to political power and the state machinery, and limits the scope of welfare reforms.

Trends in the growth of public expenditure

Total government expenditure increased rapidly in the post-war period in relative as well as in absolute terms (Figures 1 and 2); yet a comparatively faster growth occurred in the 1980s. In 1960 total expenditure was 19.6 per cent of gross domestic product (GDP); in 1980 it rose to 34.2 per cent, while in 1989 it went up to 51.5 per cent. Although in 1980

public expenditure as a proportion of GDP was 13 per cent lower than OECD average, in end of the 1980s it exceeded this by 4 per cent (Organization for Economic Co-operation and Development – OECD 1989/90: 42).

However, social expenditure did not increase as fast as total government expenditure. In the period when Greece attained comparatively high rates of economic growth (the 1960s), public expenditure on health, education and social welfare services remained stagnant at about 3 per cent of GDP.⁴ A substantial increase occurred only after the mid-1970s, that is in the period of slow or even negative economic growth,

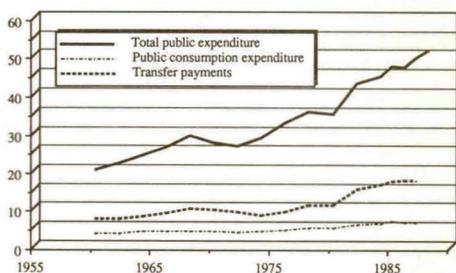


Figure 1 Total public expenditure, transfer payments and public consumption expenditure on health, education and social welfare as a percentage of GDP Source: *Ministry of National Economy 1960–89*

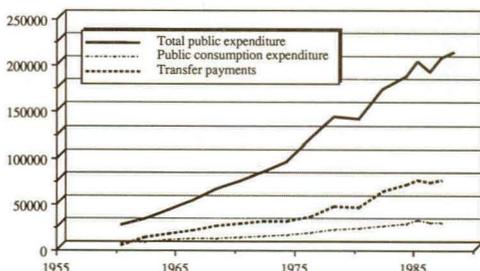


Figure 2 Total public expenditure, transfer payments and public consumption expenditure on health, education and social welfare at constant (1970) prices Source: *Ministry of National Economy 1960–89*

leading to the doubling of the ratio in the end of the 1980s. Transfer payments constitute the most important component of social expenditure, which absorbs a comparatively large share of GDP over the whole post-war period.⁵ However, in the period 1960–75 transfer payments increased very slowly in absolute terms (at constant prices of 1970). In the second half of the 1970s there was a substantial increase; however, a steep upward trend occurred only after 1982.

The comparatively low involvement of the Greek state in the provision of social services is also supported by the data presented in Table 1. In most west European countries the 1960s was a period of spectacular expansion of the welfare state, and this is manifested through significant changes in the composition of public expenditure: the share of health, education and social welfare expenditure increased rapidly, while other categories of expenditure, for example defence or administration, either decreased or remained stagnant. In contrast to these trends, in Greece the composition of public expenditure exhibits a high degree of stability over the whole post-war period (Figure 3), indicating the absence of significant changes in the social and economic functions of the Greek state. Closely related to this characteristic is the comparatively high share of expenditure on public administration in Greece: in 1963 this amounted to 34 per cent of public expenditure; from the mid-1960s to the mid-1970s it fell slightly, but it has been rising again since then. Thus in 1984 expenditure on public administration amounted to 34.9 per cent of total public consumption expenditure, while in the other west European countries with well-established welfare states it ranged from 6 per cent to 20 per cent.

Defence is another prominent component of total public spending in Greece, accounting for a higher share than in the USA in the 1970s and 1980s. On the other hand, the share held by health and education was stagnant at a low level during the 1960s and

1970s, and the increase during the 1980s is not very substantial. Even less developed is the component of social welfare with an extremely low share of total public consumption (1.5 per cent) and GDP (0.3 per cent) in 1987.

Social expenditure in Greece (including transfer payments) as a proportion of GDP, was half the OECD average until the beginning of the 1980s, although the gap has been decreasing since then (Figure 4). A clearer picture is obtained if we compare public expenditure on the main social programmes in Greece and other OECD countries (Figure 5). In 1985 Greece was very far behind the OECD average in respect of public expenditure on education, health and unemployment benefits. On the other hand expenditure on pensions exceeded the OECD

average by 1.8 per cent. A fast upward trend in expenditure on pensions was maintained until the end of the 1980s, and in 1989 it reached a level of 15 per cent of GDP, on the basis of which Greece ranks second, after Italy, among OECD countries (OECD 1989/90: 45).⁶

A closer examination of the composition of transfer payments, over the whole post-war period, shows that since the early 1960s pensions have constituted the largest share in income maintenance (62.7 per cent) in 1962: Figure 6), which increased considerably in the 1980s in real and absolute terms (at constant prices of 1970: Figure 7). Sickness allowances constitute the second major component which has been increasing in absolute terms since 1982, though its share of total transfer payments has been declining. On the other

Table 1 Percentage constitution of public consumption expenditure (in some OECD countries)

Country	1975						1984 ^d					
	1	2	3	4	5	6	1	2	3	4	5	6
Australia	13.0	6.6	14.1	29.9	20.0	8.2	15.1	7.7	15.2	26.1	19.5	8.4
Belgium ^a	37.7	*	16.2	40.0	*	6.2	39.6	*	14.5	38.6	*	7.3
Denmark ^b	11.9	*	10.0	25.7	22.4	22.8	7.8	3.8	9.3	22.6	19.9	25.8
France	12.3	5.4	22.5	34.0	2.9	7.6	13.0	5.6	3.2	3.2		
Germany	10.9	7.6	15.3	19.3	29.9	12.0	10.3	7.9	14.2	20.3	28.9	13.8
Greece	32.8	*	44.5	12.7	7.5	1.0	34.9	3.6	33.1	13.5	9.8	1.5
Italy	*	*	12.2	26.2	22.2	9.4	14.2	9.0	11.2	29.3	21.0	8.5
Japan ^b	27.8	*	8.6	38.6	4.2	11.8	26.5	*	9.2	36.5	4.0	13.0
Norway	8.5	4.3	16.5	27.7	18.6	10.7	7.9	4.1	15.5	26.1	22.8	11.2
Spain ^b	19.5	*	18.8	14.6	13.4	18.8	19.7	*	16.6	15.8	16.2	18.6
Sweden ^b	14.0	*	13.6	21.6	24.6	20.3	13.4	*	9.7	20.4	25.8	24.9
United Kingdom ^c	6.5	6.6	22.2	23.5	21.3	10.8	6.1	6.9	22.5	19.8	21.0	17.9
USA	5.7	5.6	29.8	26.9	6.2	7.2	6.5	6.0	35.1	24.3	6.2	6.6

Source: OECD 1984; 1986

Categories 1 = general public services; 2 = public order and safety; 3 = defence; 4 = education; 5 = health, social security and welfare, housing and community amenities, recreational, cultural and religious affairs. In all categories investments are excluded; public consumption expenditure on economic services and other functions is also omitted.

(a) Category 1 also includes expenditure for public order, health, social security and welfare, housing and community amenities, recreational, cultural and religious affairs and economic functions. (b) Category 2 is merged with category 1. (c) Data refer to 1977. (d) Data for the UK refer to 1979; for the USA, Germany and Sweden refer to 1983; for Denmark to 1981; for France and Italy to 1982.

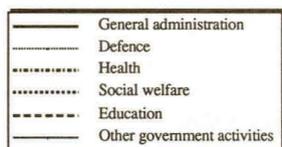
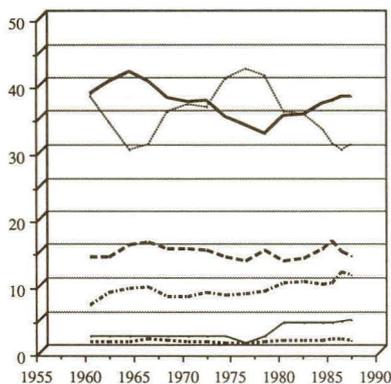


Figure 3 Percentage constitution of total public consumption expenditure Source: Ministry of National Economy 1960–89

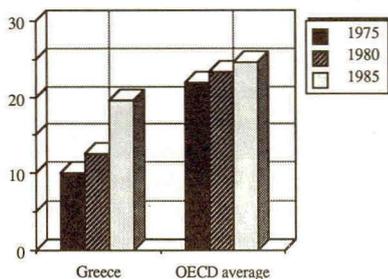


Figure 4 Social expenditure as a percentage of GDP Source: OECD 1988: 10–11

hand, welfare payments such as family allowances and unemployment benefits are both very weak components of income maintenance, whose share has even been decreasing in the 1980s.⁷

All this is evidence that Greece's social policy effort relies mainly upon social security expenditures which (as we shall see below) are undertaken by independent public organizations functioning on the basis of contributory schemes. In this respect, one

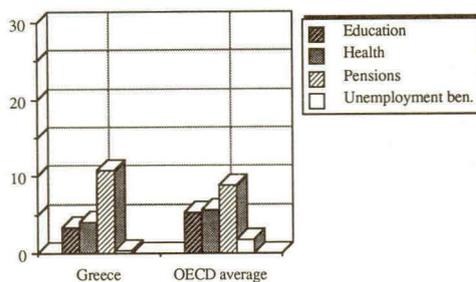


Figure 5 Public expenditure on the main social programmes in 1985

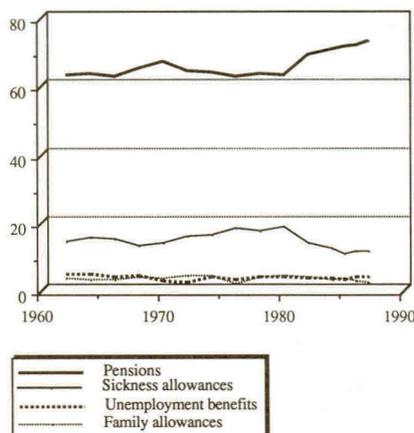


Figure 6 Expenditure on income maintenance by major component (per cent distribution) Source: Ministry of National Economy 1960–89

might argue that social policy in Greece follows the 'continental pattern' (like, for example, France, Belgium, the Netherlands and Italy) in which the distribution of cash-incomes is the most important component of the welfare system; in contrast to the so-called 'Scandinavian pattern' (mainly the Scandinavian countries and Britain) dominated by direct state spending on services (Kohl 1981; see also Ascoli 1987: 115; Jones 1985: 85–6). However, this comparison cannot take us very far in explaining the character of social policy in Greece, mainly because the sheer amount of money distributed in the form of transfer payments



Figure 7 Expenditure on income maintenance by major component (at constant 1970 prices)

Source: Ministry of National Economy 1960–89

through direct or indirect state intervention, does not constitute a sufficient indicator for an established welfare state. One has to examine carefully the character of state intervention and processes of distribution of revenue. Our main argument in this article is that a welfare state has scarcely been formed in Greece, although an ever-increasing part of revenue is distributed to households on the basis of their links to the poles of political power.

Social policy and the character of state intervention

An important aspect of the role of the Greek state in the post-war period is its growing intervention in social and economic processes. However, as we have shown elsewhere, this intervention has a highly ambivalent character (Petmesidou and Tsoulouvis 1990a: 183–5). First, it has scarcely been based on any systematic or co-ordinated planning processes. Second, an interventionist ideology and a high degree of centralization of decision-making have continuously coexisted

with a confusing liberal attitude by the state. Thus private enterprise was held to be the driving force of development, yet at the same time state control of market processes and sources of finance was growing, while any clearly defined policy about which social strata or sectors of the economy would benefit from state intervention was absent. These characteristics, which we cannot examine in detail here, influenced considerably the orientation and content of social policy in the decades after the Second World War.

Furthermore, in the beginning of the 1960s state economic policy opted for an open economy and an export-oriented type of industrialization. Although it is questionable whether this goal was adequately pursued in order to further industrialization, it had important repercussions on social and incomes policy. Thus the need to keep domestic wage costs down became a priority in order to increase international competitiveness. To this contributed also the conditions of political repression, which for a period of 25 years (1950–74) suppressed the demands of the working class, the lower middle classes and the rural population. It is important to stress here that the share of wages and salaries in manufacturing, in relation to the total value added, kept decreasing from the end of the 1950s to the beginning of the 1970s, that is in the period of fast economic growth (from 44 per cent in 1958 to 31.6 per cent in 1973); only by the end of the 1970s did their share rise to a higher level than that of 1958 (Papantoniou, 1979: ch. 5). It is at the time of economic recession when productivity is declining and national income is growing at a slow pace, that significant increases in wages and salaries can be observed which benefited especially the low income groups.⁸

Closely related to this it must be pointed out that goals such as the improvement and regulation of human capital have scarcely been central in the social policy considerations of state officials, politicians

and industrialists. Besides, these goals could hardly be a priority in the Greek context, as the economy, even under conditions of growth, was unable to absorb the human resources available, forcing people instead towards massive migration. Moreover, if, according to Marxist approaches, the welfare state contributes to the ideological integration of the working class into the capitalist system, this can hardly be true for Greece where the proletarian strata are rather thin in terms of their size, and their integration takes place on a narrow party political basis rather than through broader socio-political ideologies transmitted by the welfare state (Petmesidou and Tsoulouvis 1990b: 295). The other side of this phenomenon is the high degree of subordination of trade unions to party politics and the weak social pressures for reforms which would allow the state to develop and implement social policies in a systematic and consistent way.

During the 1960s and 1970s no major social policy legislation was enacted apart from personal income tax, child and marriage allowances (1959) and the allowance for large families (1972). As far as child and marriage allowances are concerned, there is a lack of uniformity among socio-professional groups as to the amount of money granted per child, and his or her age limit for eligibility (Symeonidou 1990: 140–3). This, coupled with the high administrative costs, makes allowances inefficient both as a demographic policy measure or as incomes support policy (Liaropoulos 1988: 109–19). Even less related to purposes of redistribution is the allowance granted to families with more than two children independently of household income and wealth (Iatrides 1979: 58–9). It is important to stress here that such regressive measures, as the allowance for large families, tend to absorb a greater amount of money than other policy measures designed for alleviating income inequalities. For instance by the end of the 1970s, public expenditure on the allowance to large families was about twenty times higher than public expenditure

on aid to poor families with dependent children (Iatrides 1979; 1980: ch. 3). Furthermore, a programme of housing construction for the working classes initiated by the state in the early 1960s was quite soon discontinued and hardly led to any systematic housing policy.

Welfare policy has persistently had a fragmented character, as it has been restricted to piece-meal and uncoordinated measures taken by the state whenever emergency situations arose which needed a quick response (Iatrides 1980: 106–7). In periods when serious social problems emerged – for example the need to care for a large number of orphans and homeless children after the Second World War, or a few decades earlier the need to resettle 2 million refugees of Greek ethnicity from Asia Minor – some institutions were established which provided a short-term solution to the problems. Yet often occasional measures acquired a permanent character freezing the welfare institutional framework to its initial stage of development. A contributory factor was the overlapping of responsibilities and the fragmentation of functions among ministries and social welfare organizations. For example the Ministry of Health and Social Welfare is directly responsible for the provision of health services, social security transfers and social services. Yet some other ministries also tend to provide similar services to some groups of consumers, among others, the Ministry of Defence controls social welfare and health services for the armed forces; the Ministry of Work is responsible for the distribution of unemployment benefits and vocational training programmes, while the Ministry of Environment, Planning and Public Works is responsible for housing programmes for low-income groups.

Even now there do not exist any clearly defined, national criteria for defining the lowest living standards below which the family or the individual is entitled to social protection and relief. The system of 'destitution certificates' used until the late

1970s for a meagre income-support provision to poor families was very primitive and hardly aimed at a wide distribution of social benefits on the basis of need. Besides, in the early 1970s even this inadequate system of determination of poverty was abolished and decisions about whether a family applying for welfare assistance was poor or not were taken on an *ad hoc* basis by prefectural committees of non-professionals. In this way political criteria became prominent for defining poverty, and indeed, until the end of the 1970s, when the policy of issuing 'destitution certificates' was finally discontinued, it constituted mainly a means of socio-political control of the social strata at the bottom of the socio-economic hierarchy. Even nowadays the extent of poverty is very little researched, and occur mainly as a result of pressures on Greece to take advantage of the availability of resources by the EC for research and action programmes on poverty.⁹

The system of social security is equally fragmented, uncoordinated and lacking a clear definition of priorities. Since the end of the nineteenth century, it developed through a polymorphous scheme of coverage. In 1991 there are about 370 social security funds which cover almost 90 per cent of the population and are financed mainly by contributions paid by employers and employees.¹⁰ Of these funds, 80 provide health care in general practice and hospital care, while the rest provide social insurance for disability, old age and industrial injuries and various complementary pensions. However, one can hardly talk about a system of social security, only occasional adjustments to different systems, because the numerous social insurance funds have different organizational and administrative characteristics. As a result, there are obvious inequalities between socio-professional groups or even among sections of the same socio-professional group.¹¹

Differences in the rate of contributions among social insurance funds constitutes one major cause of inequalities. For example, in

the Social Security Fund (IKA, for all urban workers) employees contribute 10 per cent of their wage and employers 17 per cent; in the Fund of the Railway Corporation Employees the corresponding figures are 11 per cent and 38 per cent and in the Fund of the Employees of the Agricultural Bank 15 per cent and 32 per cent (Smailis 1990: 76–7).

As regards spending on out-patient and in-patient hospital treatment the inequalities between the social insurance funds are also high. In the mid-1970s average per capita spending on out-patient care of the Funds of Bank Employees was 50 times higher than that of the Fund of Self-Employed Craftsmen and Tradesmen (TEBE). In the early 1980s the gap narrowed and the corresponding ratio fell to nine (Centre of Planning and Economic Research 1976: 108; see also Yfantopoulos 1985: 113–34).

Furthermore, state financing of the social insurance organizations tends to increase inequalities. Until now there has scarcely developed a unified and clearly defined policy for state financial support to the insurance funds. State subsidy is almost granted as a favour and its amount is never known in advance by social security funds, that is by the time they are preparing their budgets for each financial year. Under these conditions the level of financial support by the state is primarily defined on the basis of access to the state machinery by socio-professional groups and their unions, rather than on the basis of the needs of these groups. Thus, financial support to IKA (the largest insurance organization) hardly reaches 0.5 per cent of its total revenue, while financial support to the Fund of Engineers, Architects and Surveyors amounts to 55 per cent of its revenue and to that of Lawyers to 54 per cent. Figure 8 presents the percentage constitution of revenue of the 370 social security funds: employers' and employees' contributions are slightly decreasing during the 1980s, though they still constitute the main source of revenue, and state subsidies are increasing, mainly because of the growing deficits of the

major social insurance funds at the end of the 1980s.

If we also take into account first, the central role of indirect regressive tax transfers in the Greek tax system, alongside with an extensive tax avoidance,¹² and second, the fact that welfare services and benefits for those most in need amount to a tiny proportion of social expenditure, it is questionable whether any consistent redistributive social policies have ever existed at all.

It is interesting to note here that the reports of the successive five-year development plans make a cursory reference to social planning.¹³ The analysis of social needs is vague, while any systematic attempt to develop a social planning machinery (including monitoring and evaluation), has hardly been the preoccupation of state officials.¹⁴

We should also stress here the complete absence of initiatives in welfare policies originating outside the state and the political parties (that is voluntary welfare organizations based on popular initiatives). This is a characteristic of Greek society closely related to phenomena such as the weakness of civil society and the total subordination of social and class conflicts to party political confrontations, and the high degree of political and administrative centralization.

Though we cannot here examine in detail the relationship between state and society, a few comments will illustrate the nature of social policy. It is important to note the absence of a well-established hegemonic class in Greek society, though in various periods particular social strata succeeded in winning power and ruling the country. Also the coalition between the hegemonic social strata and the state has always been precarious in Greece and in this way the state machinery has hardly become functional to the requirements of capitalism.¹⁵ Under these conditions a strong relationship of dependence by the civil society on the state is developed. So far, the civil society has been unable to build its own rules and values

outside the sphere of politics and the state; thus everyday economic conflicts can hardly be solved through the relative autonomy of the market, and become instead highly politicized (Tsoulouvis 1987; Petmesidou 1987: 147–228).¹⁶

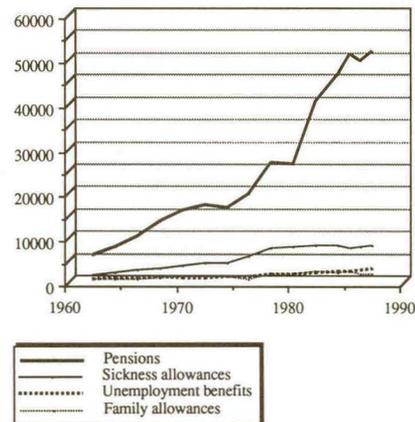


Figure 8 Relative distribution of revenue sources of social security organizations (per cent)
Source: Ministry of National Economy 1960–89

In this context the role of the state in society is characterized by a major contradiction which reflects the kind of legitimation produced by the socio-economic structures. A large number of resources go through the state and this accounts for the large size of the public sector measured in terms of economic indicators such as the ratio of public expenditure to GDP, or the share of salaries of public employees out of total salaries and wages. Yet despite its economic importance, the state machinery has so far been unable to play any significant regulatory role in the economy and social reproduction. Extreme organizational deficiencies, overstaffing and lack of work incentives for public employees (opportunities for second jobs in the informal economy, party political and other non-meritocratic criteria for appointment and promotion) contribute to poor provision of services and lack of any

systematic policy (Petmesidou and Tsoulouvis 1990a: 223–4). Closely related to this is the absence of a legitimation in society for substantial reforms in public administration and, most importantly, the absence of compromises between conflicting social groups around the goals of social and economic development. For several decades the only issue on which consensus could be achieved in Greek society concerns the use of the state machinery as a means of gaining revenue by the winners of the struggle for power.

The rise to power of the middle classes

To a large extent, the socio-professional groups composing the middle classes in Greece – and more specifically, small business owners, crafts people, self-employed professionals and civil servants – owe their extensive reproduction to the conditions of statism. We must mention here that the weak concentration of capital and rationalization of production provide opportunities for small-scale businesses and self-employed people to survive. Market mechanisms and criteria of rational competition (for example pricing of products, transparency of the tax system, restriction of tax evasion and of informal economic activities) have little scope to work: windfall profits and state support contribute to this. In parallel, an oversized public sector has historically been a basis for the formation and socio-political integration of large sections of the middle and lower middle classes.¹⁷

Significant changes in the socio-economic hierarchy within the middle classes, brought about by the massive wave of rural-to-urban migration during the first two decades after the Second World War, had important repercussions for the balance of power mainly in the period after the restoration of

democracy (1974). The differential conditions of enrichment for the various sections of the middle classes, during the 1960s and early 1970s, on the basis of economic activities crossing the boundaries between the formal and informal economy, and between the public and private sector, have shaken the established clientelistic networks (controlled by the right), and have intensified intra-middle-class conflicts for access to the state machinery. The fragile economic basis of the middle and lower middle classes has made them more anxious to fight for political power, given that political criteria play such an important role in processes of distribution of revenue. The left radicalization of a large part of the middle and lower middle classes since the mid-1970s should be seen as a challenge to traditional patronage networks controlled by the right.

It is important to stress here that, on the one hand, the conditions of economic crisis have led to a restrengthening of traditional socio-economic structures and have emphasized the rigidity of the socio-professional structure. On the other hand, political conditions since the mid-1970s (restoration of parliamentary democracy, legalization of the Communist Party, increasing democratization in social and political life) facilitated the mobilization of various sectors of the middle and lower middle classes. The eruption of economic crisis contributed to these political changes, as social and economic conflicts became more acute and difficult to be contained by the discredited regime of the junta. Yet, at the same time, a deep crisis of legitimation about which social strata can enjoy access to the state machinery, as a means of the appropriation of revenue, lies at the root of these changes.

As we have shown elsewhere in relationship to the impact of economic crisis on Greek manufacturing, trends are opposite to those expected in a period of economic crisis (Petmesidou and Tsoulouvis 1988; 1990a: ch. 2). We observe a shift of investments towards

the more traditional branches of manufacturing (such as textiles, clothing, footwear, food and beverages), while the dynamics shown by some modern branches (petrochemicals, electrical appliances, plastics) during the 1960s is discontinued.¹⁸ This together with the flight of foreign capital in the 1980s and the bankruptcy of a number of big enterprises (the so-called 'ailing enterprises'), which passed to the state sector, are taken by some authors as indications of the weakening position of big capital in Greek society.¹⁹ Indeed (as already stressed in the 1970s and 1980s) Greek capital lost many favourable conditions among which low wages and the suppression of working-class demands were prominent.

Moreover, in contrast to the trend towards loss of jobs in manufacturing industries in many countries, associated with technological change and the restructuring of the labour process, in Greece, during the period of economic recession, manufacturing employment has been growing at an accelerating rate, and faster than the rate of increase of the gross domestic product (Petmesidou and Tsoulouvis 1990a: 190–1). This is mostly due to the high rate of establishment of new firms usually of a very small size, rather than to the expansion of already existing firms.

During the period of the crisis the number of self-employed people and employers has increased faster than the number of employees, while the percentage of wage-earners has decreased. Other phenomena of the recession, such as a high increase in unemployment, the marginalization of certain regions and certain social groups and a transfer of social surplus to the higher income strata have not occurred as extensively as elsewhere. Multiple employment, informal economic processes and other related phenomena contribute to this and constitute the basis for the extended reproduction of the middle and lower middle classes.

During the 1980s, in parallel with the increase in the number of small entrepreneurs

and self-employed people, we observe also a rapid expansion of public employment. In the beginning of the 1970s employment in public administration and public enterprises amounted to 8 per cent of the economically active population; yet it more than doubled in the following decade. This can also be seen from the rapid increase of the wage and salary bill of general government: in 1979 it amounted to 28.5 per cent of total wages and salaries, while in 1985 it reached 33.5 per cent and if we include the rest of the public sector the ratio comes close to 50 per cent (Karabelias 1989: 249). Most importantly, since the end of the 1970s trade unions of employees in the wider public sector (including banks and public corporations) have been in the vanguard of strike activities. In a country in which production is dispersed in small plants, it is mainly public sector employment which provides the conditions for the formation of comparatively more concentrated and cohesive trade union forces. The leading role in the trade union movement by public sector employees who enjoy significant social and economic privileges – in sectors which are expanding rather than declining – constitutes a further indication of the increasing social and political significance of the middle and lower middle classes. In the 1980s large sections of these classes became a main supporter of a popular alliance which, in 1981, brought to power the Panhellenic Socialist Movement and re-elected it in office in 1985.

The expanding influence of the middle classes on the state machinery had an important impact upon state policy. First, it has reinforced the ambivalent role of the state, as it has led to a more liberal policy discouraging any dynamic involvement of the state in the economy (that is the construction of big infrastructural works and public investments in manufacturing), and at the same time to an ever-increasing intervention of the state in the functioning of the market. Second, it has oriented state policy towards increasing social provisions and a rhetoric

emphasizing the need for decentralization (Petmesidou and Tsoulouvis 1990b: 291–2). As we attempt to show in the following section, a substantial increase in public expenditure and the social budget has occurred without, however, any changes in the underlying logic of distribution of social benefits. Differential access to political power and the state machinery by social groups defines the distribution of privileges and increases fragmentation of policy measures. This can be illustrated by a number of examples. The strong unions of bank employees and employees of the Public Corporation of Electricity (DEH) have repeatedly been successful in circumventing any pay rise limits set by the incomes policy of the government and securing higher salary increases than other categories of public employees (even of the same socio-professional group); and the same holds for social insurance benefits. The long strike of employees in the banks, the Public Corporation of Electricity, the Telecommunications Corporation and the Post-Office, in September 1990, which paralysed the economy of the country, forced the present government to withdraw and revise a bill for reforms in social insurance aiming at the harmonization of regimes between the more and less privileged social insurance funds of the public sector. One could also mention the extensive abuse of invalidity pensions by private and public sector workers on the basis of clientelistic criteria;²⁰ or even the abuse of the old-age pensions system, as a number of pensioners continue to work illegally. Obviously, the persistence of these phenomena limits the possibilities of redistributive welfare policies.

Social policy in the 1980s

As stressed earlier, the vast increase in social expenditure in the 1980s was the result of

substantial increases in expenditure on pensions, yet expenditure on other social programmes either remained unchanged or grew only slightly. The extension and improvement of social insurance coverage may manifest an intention by the PASOK governments to make a shift towards non-contributory social assistance system. However, this shift has hardly been realized; the social insurance system remains fragmented and dominated by huge inequalities, while some of the largest social insurance funds (as for instance IKA) are close to bankruptcy.

In the 1980s expenditure on pensions has doubled, yet this has not been accompanied by any major changes in the structure and financing of the social insurance system. The policy pursued by the PASOK governments, mainly until 1985 – that is until the so-called ‘stabilization programme’ of the economy was introduced, which put restrictions on wage and salary increases and reduced considerably automatic indexation rates – increased significantly the lowest pensions and extended social insurance coverage in the rural and urban sector. In the case of the Social Insurance Fund (IKA), extension of coverage included groups of people who had never paid any social insurance contributions (such as repatriated Greeks from eastern Europe); also by law a number of bankrupt social insurance funds were brought under the administration of IKA. Together with demographic changes and institutional incentives to early retirement, this policy reduced the ratio of people employed to pensioners from 2.8 in 1979 to 2 in 1989. However, the important point is that the state hardly made any provisions for increasing the revenue of IKA. Until the early 1980s, when IKA had a surplus, the state persistently applied strict controls on its profitable use of its savings. Yet when the deficit of IKA shot up, the Social Insurance Fund was forced to borrow money from the state-controlled banks on extremely unfavourable terms.²¹

What is more, evasion of payment of

contributions not only by private firms but also by most of the public corporations (like Olympic Airways, the Public Corporation of Electricity, the Telecommunications Corporation) adds to the financial problems of the largest insurance fund (their debt to IKA amounts to 120 billion drachmas). Avoidance of payment of contributions by employers reaches about 50 billion drachmas per year; and the policy of the state has always been to settle the debts in favour of the debtors. Similarly, practices such as the abusive granting of invalidity and other kinds of pensions aggravates the financial situation especially of the largest social insurance funds. Thus in 1986, the deficit of social insurance funds reached 16.7 per cent of their revenue and 3 per cent of GDP (Figure 9).

The incomes policy of the successive PASOK governments was equally contradictory. The introduction of the automatic indexation scheme (ATA) in 1982, and substantial increases in expenditure on pensions were meant to meet a requirement for redistribution on social grounds, yet redistribution was rather limited and resulted mainly in a transfer of revenue from high salary to low salary groups in the public sector. However, the law passed in 1985 which prohibited any wage and salary increases above the rates of ATA, put severe limitations to collective bargaining procedures in the private sector. Though this law did not prevent the state from discriminating against certain sections of the wider public sector, as it gave in to pressures by the traditionally strongest trade unions of public employees (bank employees, or the employees of the Public Corporation of Electricity) for salary increases exceeding the levels of ATA.

Incomes policy left intact incomes and windfall profits of a huge number of small enterprises and parasitic businesses; this can easily be inferred for instance from some characteristics of the tax system. Increased taxes and social insurance contributions fall mostly on big business which cannot easily hide the number of their employees from

social insurance organizations and the tax office. Furthermore, a large part of the tax burden falls on employees in the private and public sector. However, small businesses and self-employed people (professionals, merchants, craft workers, peasants) can easily evade taxes and have persistently done so. In the end of the 1980s when total public expenditure reached 50 per cent of GDP, the deficit of the public sector rose to more than 20 per cent of GDP (Figure 9) and a great proportion of this is due to the taxes evaded by a large number of social groups.²² Especially after 1985, beneficiaries of income and tax policy included all those sections of the middle classes which somehow succeeded in gaining legitimate access to political power and the state machinery, that is state officials, intermediaries in the private and public sector, professionals, self-employed people and small entrepreneurs crossing the divide between the formal and informal economy.

Under these conditions neither the composition of social expenditure (with the emphasis on pensions), nor the logic of distribution of social benefits have changed, even though the 'social role' of the state has widened, as manifest in the increased amount of resources channelled through the state. Distribution of social benefits is seen by social actors as an issue to be settled primarily on the basis of political criteria (such as party political affiliations and clientelistic relationships). In this way even a minimal consensus about crucial objectives of social policy is difficult to achieve. Closely related to this is also the unwillingness of social actors to make explicit a number of processes through which income is created and distributed. This behaviour deprives the state from resources, deepens its financial crisis and makes the goal of the development of a welfare state distant.

For all these reasons the direct provision of social services by the state is still minimal. Also the degree of centralization of decision-making regarding welfare services remains high. Some reforms introduced in the local

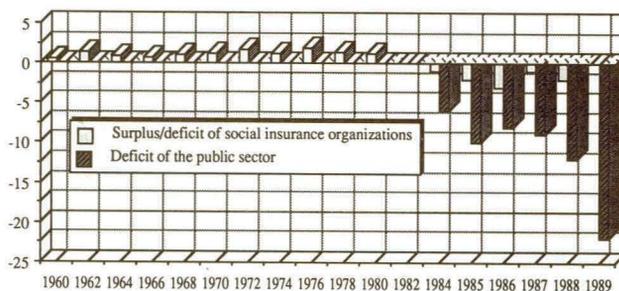


Figure 9 Surplus/deficit of social security organizations and the deficit of the public sector as a percentage of GDP *Source: Ministry of National Economy 1960–89*

government system since the mid-1980s have hardly led to a broadening of local government functions in welfare services provision. The Local Government Act 1984 made possible the transfer of responsibility for community centres for the aged and day nurseries from the central state to local authorities. However, as far as child care is concerned, the law has only been implemented in a few cases. In health and education local government functions are still rudimentary. As for the National Health System (ESY) established with the 1983 Act, this covers primarily hospital care. It changed mainly the structure of hospital management and the working conditions of hospital doctors, yet it hardly improved the quality of services offered. The number of hospital beds per 1,000 inhabitants remains extremely low (around six), while the amount of foreign currency spent on medical treatment abroad is still very high; in 1989 it amounted to US\$60 million (*Hellenews* 1990: 8). Primary medical care in the urban centres has been totally neglected, since no health centres have been created in cities and towns. However, some developments in primary medical care can be observed in the rural areas, with the construction of 175 health centres. Most importantly, the establishment of the ESY has not been accompanied by substantial increases in public expenditure on health.

Furthermore, the rapid increase in spending on the administration of general public

services, while social services provision is rudimentary, makes employment itself in the wider public sector a kind of social policy through which the social and political integration of the middle and lower middle classes has been attempted by the parties in power over the whole post-war period. Such a practice has been intensified by the PASOK governments during the 1980s, in an attempt by the party machinery to rebuild clientelistic networks and strengthen its control over the state apparatus. Recruitment regulations in the wider public sector enacted by the PASOK government in the mid-1980s support this view. Criteria other than professional qualifications such as number of dependent children, handicapped dependent relatives, geographic origin and household income were given significant weight for appointment in the public sector. What is more, the introduction in 1983 of the unified civil service pay scale which provides automatic annual increases in salaries irrespective of performance and qualifications, in parallel with the policy of automatic indexation of wages and salaries, have diminished the earnings of qualified personnel and weakened motivation.

The nature of state policies in the 1980s (as discussed above) has intensified the contradictions inherent in Greek statism. This is very much the result of the character of middle-class demands on the state. Dissatisfaction with the low quality of welfare

services, environmental pollution, absence of a housing policy and declining standards of education has increasingly become the subject of a political debate which acknowledges the need to confront these problems and to improve social provisions.²³ It is hardly surprising, of course, that in this debate any initiative for change is expected to be taken by the state rather than the civil society. But, given the socio-economic characteristics of the middle classes, everyday practice by them tends to cancel out any attempt by the state to become efficient in the exercise of its policy and bring about the structural changes needed for the establishment of a welfare state.

One can easily explain why the response by the successive PASOK governments to the problems of social and economic development was limited to rhetoric about the need for modernization. No specific tools have been formulated for this goal to be achieved; nor has any learning process in social and other planning practice been under way. The biggest obstacle to this has been the lack of any agreement among the middle and lower middle classes about the goals of social and economic policy and, at a more fundamental level, about how to distribute the cost of these policies. Hence, quite soon, after the introduction of some reforms, social practice has returned to its old patterns. Social reforms in sectors like, for example, health and social welfare resulted in some changes in the clientelistic relations between the relevant professional categories (i.e. hospital doctors) and the political parties. Furthermore, the strong grip of party politics on civil society constrains the possibilities of broad structural changes which would facilitate a more flexible response to social demands by a mix of voluntary and statutory sectors. Awareness of such a need among trade unions, professional associations and political parties in Greece is still very low.

To conclude, the fast growth of the public sector and of the resources distributed through the state during the 1980s exceeded greatly the capacity of the Greek economy

and led to a serious financial crisis of the state. Equally acute is the crisis of the social insurance system, and some measures discussed by the present government such as reforms weakening early retirement incentives, increases in social contribution rates and the establishment of procedures combating the abuse of the system may bring about a short-term improvement. However, as the crisis in Greece is closely related to contradictions and deadlocks inherent in Greek statism, the way out of the crisis is not merely a matter of readjusting capitalist accumulation to a new balance (that is restructuring the public and private sector to the new demands of capital and reorganizing the welfare state), as it appears to in the advanced capitalist countries. Changes in some basic characteristics of the relationship between state and civil society, which structure work relationships in the public and private sector, processes of distribution of revenue and the goals and means of social conflicts are central if a modernization process – and a harmonization of the welfare system to the EC conditions – is to be achieved in the long run. It is of crucial importance to change the structure and functioning of public administration in a way which confronts the deep ‘politicization’ of state bureaucracies and the inefficiencies in the operation and organizational structures of the public sector.

Notes

- 1 In Greek society, where almost 50 per cent of the economically active population are self-employed, the middle classes are constituted mainly by the traditional petty bourgeoisie (self-employed professionals, small business owners and craftspeople). Salaried employees also form a large part of the middle classes, civil servants constituting over 50 per cent of them. By using the term ‘middle classes’ in plural, I want to emphasize the high degree of fragmentation among middle-class strata.
- 2 By the term Keynesian welfare state (and

- variations of it) I mean the type of welfare state which developed in the advanced capitalist societies, in the first decades after the Second World War, in the context of government intervention in the economy aimed at regulating aggregate demand/level of employment and securing the economic and political integration of labour under conditions of mass production organized according to Fordist lines (Esping-Andersen 1990: 2). Rather than seeing Keynesianism solely as an economic theory and policy recommendation, I use the term as an ideal-type to refer to the kind of state–society relationship characterizing welfare capitalism (or ‘organized capitalism’ according to some authors: see e.g. Lash and Urry 1987).
- 3 I use the term statism here in order to refer to a type of state–society relationship in which the civil society is rather weak and market mechanisms, though extensively present in society, have a weak role in the processes of distribution of revenue; instead, access to political power and the state apparatus constitutes the primary means of appropriation of revenue, and control of the state apparatus is the primary objective of social and political struggles (Tsoulouvis 1987: 513–18; Petmesidou 1987: 182–200).
 - 4 That is public expenditure for the direct provision of social services (not including transfer payments and/or public investments).
 - 5 Under transfer payments we include income maintenance schemes, by the state and social security organizations, in the form of pensions, sickness allowances, unemployment benefits and family allowances.
 - 6 For the prominent role of pensions in income maintenance expenditure in Italy see Ascoli 1987: 115–18.
 - 7 However, unemployment is rising. According to official statistics – which, however, are not very reliable – the unemployment rate reached 10 per cent in the end of the 1980s.
 - 8 For instance, from 1975 to 1978 real salaries and wages increased by 31 per cent and 46 per cent respectively; while the share of salaries and wages in national income increased by one-quarter, from 42 per cent in 1976 to 52.5 per cent in 1984. For an analysis of the way these trends are reflected in consumption expenditure see Karagiorgas and Pakos 1986: 267–86; Petmesidou forthcoming: ch. 2.
 - 9 A recently published study by the National Centre of Social Research (Karagiorgas *et al* 1990) attempts to determine the extent of poverty in Greece, in order to provide indicators of poverty comparable to those defined for the other EC member states. This research draws upon the data on Family Budgets collected by the National Statistical Service of Greece. This means that it relies upon patterns of household spending rather than upon first hand material on household incomes.
 - 10 An exception from this is the OGA (the Farmers’ Social Insurance Fund, founded in 1961) which is financed by indirect taxes on goods and services, special income taxes paid by the non-agricultural population and state subsidies. On the other hand, IKA, the largest social insurance fund for the urban population (founded in 1937 and insuring all wage and salary earners in the urban private sector) is only minimally financed through general tax revenues.
 - 11 On this point see the reports prepared by the Centre of Planning and Economic Research on social insurance, in the context of the five-year economic plans 1976–80, 1983–87 and 1988–92 (Centre of Planning and Economic Research 1976; 1988; 1990).
 - 12 In some cases this is even explicitly tolerated by the state, as in the case of peasants who are not obliged by law to declare their income to tax authorities.
 - 13 For a thorough critique of the social policy objectives of one particular five-year development plan, that of 1968–73, see Wood-Ritsatakis 1986.
 - 14 See on this point the comments on urban planning in Greece by Tsoulouvis (1987: 514).
 - 15 A number of studies on social structure in Greece stress the deep crisis of hegemony and of social disintegration (e.g. Vergopoulos 1985), as well as the particular character of an ‘oversized’ state bureaucracy (e.g. Tsoukalas 1986).
 - 16 The central role of politics in social conflicts led Mouzelis to theorize socio-political change in Greece (in the early twentieth century and in the inter-war period) on the basis of a concept of *mode of domination* (analogous to that of *mode of production*); see Mouzelis 1986; 1990.
 - 17 We would argue that, in Greece, civil servants (and salaried employees in the private sector as well) are part of the traditional petty bourgeoisie rather than a new middle class, mainly because the practice of having multiple jobs makes their employment status indeterminate (a large number of employees in the public and private sectors work as self-employed or run small family businesses in their spare time). For a discussion of the trends in the development of the socio-professional structure in Greece see Petmesidou (forthcoming: ch. 2); for the traditional petty bourgeoisie see Moshonas (1986).
 - 18 See also Yiannitsis (1985) and Hassid (1987).
 - 19 In the mid-1980s there were 36 ‘problematic enterprises’ under the control of the state, while by the end of the decade the work-force in these enterprises amounted to 50,000 employees.

- 20 Invalidation pensions amount to 26 per cent and 30 per cent of total pensions expenditure of IKA and OGA respectively (Ministry of Health, Welfare and Social Security 1990: 156–65). Italy also has a high ratio of invalidity pensions to old-age pensions. As Ascoli stresses (1987: 133) invalidity pensions tend to substitute for unemployment benefits.
- 21 At the end of the 1980s the deficit of IKA amounted to 600 billion drachmas; if there is no change in social policy it is estimated that its debt will reach 4,300 billion drachmas in 1994. For a discussion of the causes of the present crisis of the social security system in Greece see Provopoulos (1985); Hadjivasiliou (1988: 39–40); the discussion in issues 3 and 4 of *Economicos Tabydromos* 1986.
- 22 According to a recent study, the size of the informal economy amounts to 30 per cent of the officially measured GDP, the highest among western European countries (Pavlopoulos 1987; see also Negreponi-Delivani 1990).
- 23 Indeed, the slogan of 'allaghi' (that is extensive change) dominated the election campaign of the Panhellenic Socialist Movement in the early 1980s.

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