

The London School of Economics and Political Science

National institutional contexts and domestic discourse during proposed transformative policy change. The case of telecoms' privatization in Greece and the Republic of Ireland.

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Abstract

This thesis attempts to unravel the relationship between the national institutional contexts on the one hand, and the forms of the domestic discourse on the other and analyze how that in turn affects the overall policy-making process, in terms of ideas promoted, applied and rejected, during proposed transformative policy change. It maps the pattern linking a nation's institutional arrangement and its discursive process. Such an approach is valuable as it illustrates why and how the diverse institutional contexts of different countries shape the way transformative changes are publicly legitimized within the policy-making process. It tests the theory of discursive institutionalism, as defined by Vivien Schmidt, by examining the nature of the telecoms privatization discourse in Greece and the Republic of Ireland. This is carried out through a qualitative analysis of primary sources including newspapers, parliamentary archives, documentations of political foundations, manifestos of political parties, press releases by labour unions and industrialist confederations and personal interviews. The goal is to attribute a particular type of discourse depending on the institutional settings within which it takes place. The argument put forward is the following: in simple polities –like Greece- privatization is justified principally on a pro-market ideological basis or an expressed strategic objective. In compound polities –like Ireland- privatization is presented as a socially acceptable managerial adjustment to market needs with minimum references to ideology or strategic objectives. The examination of the privatization discourse exemplifies the various complex issues entailed within the political process of a polity when dealing with transformative changes. It has important implications not only for the two countries under investigation or privatization politics but even for other societies facing large-scale transformative changes as it provides guidance on how the pathways for legitimizing such changes are likely to differ according to the different institutional contexts.

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**To my mother Alkistis and
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Abbreviations

ACC Agricultural Credit Corporation
AEDY Higher Administration of the Unions of Public Employees
BBC British Broadcasting Corporation
BT British Telecoms
CAP Common Agricultural Policy
CIE Irish National Public Transport Organization
CIF Construction Industry Federation
CII Confederation of Irish Industry
CPSU Civil and Public Service Union
CWU Communication Workers Union
DAKE Democratic Independent Movement of Employees
DEH Public Power Corporation
DIANA Democratic Renewal
DL Democratic Left
DTS Direct Trade Sale
ECOFIN Council of Finance Ministers of the European Union
EMU Economic and Monetary Union
EEC European Economic Community
EC European Community
EOT National Organization of Tourism
ERM Exchange Rate Mechanism
ESOP Employee Share Ownership Plan
ESOT Employee Share Ownership Trust
EU European Union
FDI Foreign Direct Investment
FUE Federated Union of Employers
FF Fianna Fail
FG Fine Gael
GDP Gross Domestic Product
GNP Gross National Product
GTS Global Telesystems
GSEE Greek General Confederation of Labour
IBEC Irish Business and Employers Confederation
ICC Irish Cruising Company
ICOS Irish Co-Operative Organization Society

ICTU Irish Congress of Trade Unions
IFA Irish Farmers Association
IMF International Monetary Fund
IOBE SEV's Foundation of Economic and Industrial Research
IPO International Public Offering
IT Irish Times
KKE Greek Communist Party
MP Member of Parliament
NATO North Atlantic Treaty Organization
ND Nea Dimokratia
NESC National Economic and Social Council
OA Olympic Airways
OAE Industrial Reconstruction Organization
OECD Organization for Economic Co-Operation and Development
OME-OTE Confederacy of OTE Employees
OSE Hellenic Rail Company
OTE Hellenic Telecoms Company
PASOK Pan-Hellenic Socialist Movement
PD Progressive Democrats
PESP Programme for Economic and Social Progress
PM Prime Minister
PNR Programme for National Recovery
POLAN Political Spring
PR-STV Proportional Representation-Single Transferable Vote
SEV Foundation of Greek Industrialists
SIPTU Services, Industrial, Professional & Technical Trade Union
SOE State Owned Entity
TAP-OTE OTE's Employee Insurance Fund
TE Telecom Eireann
TD Teachta Dala (Member of the Irish Dail)

Chapter 1: Discursive Institutionalism and Transformative Policy Changes like Privatization

1. Purpose of chapter

The purpose of this chapter is threefold: to describe the hypothesis that will be tested, justify the selection of privatization as a research agenda and finally outline the theoretical framework and methodology. Firstly, it analyzes the correlation between the national institutional context of a polity and the nature of the domestic discourse produced. Secondly, it outlines the reasons privatization constitutes an attractive research agenda, explains its implications as a policy and describes the politics it entails. Furthermore, it gives reason for the choice of telecoms as the sector under investigation. Thirdly, it assesses the utility of discursive institutionalism as a conceptual frame in the field of political science and comparative politics. The ultimate objective of this chapter is to organize the format of the analysis and build the theoretical grounds that will set the basis for the empirical examination.

1.1 Introduction

This study explores the role of institutions in the policy-making process. It anticipates the type of discourse and the nature of the arguments domestic actors employ when they deal with transformative policy changes and how each of them affects the policy-making process. By looking into these variables (institutions and discourse) it is possible to study the nature of the arguments provided by national governments and actors according to the institutional environment in which they function and identify a sequence of patterns explaining it.

This thesis aims to increase our understanding of the political processes and the conduct of actors promoting or impeding transformative change, by reference to the case of privatization. In doing so, it addresses real world problems that have practical relevance to policy-makers today and exhibits substantive inferences drawn from empirical findings throughout the policy-making process before, during and even after the point of delivery. It analyzes a process where equivalent national actors deal with similar policy issues but employ different approaches and arguments in legitimizing it. It intends to confirm the assumption that the configuration of a nation's institutional context structures the characteristics of the policy-making process and shapes the type of the domestic discourse. To map these patterns of institutional arrangements and the discursive process is an important task as it helps us understand how the diverse institutional contexts influence the way transformative changes are legitimized. March and Olsen argue (2006:10) that there are many 'unanswered questions about the processes that translate

structures and rules into political impacts and the factors that impinge upon them under different conditions.'

In order to draw a relationship between the national institutional context and the domestic discourse it is necessary to open the analysis to the actors that actually participate in the policy-making process. This requires a new way of describing and understanding the processes that illustrates how an existing institutional context, impacts the dynamics of change and what other factors impede or promote such change. Discourse analysis is useful because it allows researchers to assess the public discussion of national actors, track and evaluate its effects during the course of the political process and reveal its influence or lack of it, in the design and carrying out of policy-making. In short, the examination of the discursive processes may lead researchers to important findings explaining the reasons the same ideas are more applicable in specific institutional contexts than in others.

In any case, complex political processes, such as privatization, are very difficult to quantify, especially when they have to do with comparisons across different institutional frameworks and periods. Arguing that the privatization discourse is only dependent on the national institutional context is, ofcourse, a simplification of reality as the adoption, application and legitimation of privatization is unlikely to be shaped by one single factor. However, the main benefit of such an approach is that it is useful for our understanding of the complexities of transformative policy changes, like privatization, and explains the reasons the discourse across countries is not the same.

1.2 Privatization, national institutional contexts and particular types of discourse

Despite the systematic practice of privatization for over two decades and the immense economic transactions all over the world, the concept remains rather problematic as a research topic. The main difficulties include the precise conceptualization of the term, its operationalization, the mixed policy results and ultimately the identification of the driving forces behind the whole process.

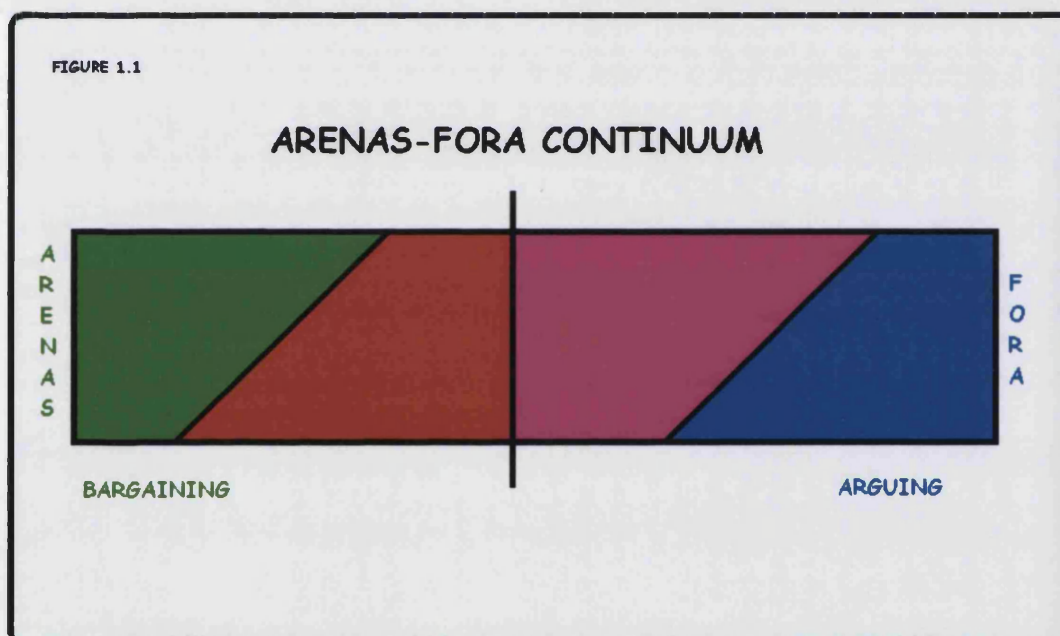
Broadly defined, privatization constitutes a package of policies with distinct, yet overlapping content, motivations and analytical ramifications. Wright (1994:2) describes it as 'the wide range of policies designed to reduce the scope, limit the functions and generally weaken the influence of the public sector.' Such a wide definition though does not distinguish between privatization, liberalization and deregulation, which are closely related, but are in no sense synonymous. The OECD (1993) notes that 'privatization refers to transfer of ownership and control of government or state assets, firms and operations to private investors.' Liberalization is a wider term used to

denote the 'opening up' of the market to all actors, especially the private sector. It includes the decrease of state intervention in the economy, internally or externally, in the form of financial state aid and assistance. It also implies the reduction of tariff and non-tariff barriers to trade and competition, and connotes positive intervention by independent authorities that control and punish anti-competitive behaviour including the state itself. Finally, the OECD (1997:11) states that 'deregulation is a subset of regulatory reform and refers to complete or partial elimination of regulation in a sector to improve economic performance.' It usually serves as a supplementary measure to privatization by replacing voluntary self-governing arrangements and informal government- industry relationships with independent regulatory agencies. Hence, 'privatization', 'liberalization' and 'deregulation' are three separate but closely linked concepts that are expected to increase the participation of the private sector and decrease state influence on what was previously exclusive state responsibility.

In European politics, during the last two decades, the announcement and application of privatization has profoundly challenged each country's political structure. In some cases governments proved to be highly successful in building coalitions and reaching broad social agreements that enabled them to implement privatizations according to their initial time-schedule and plan, whereas elsewhere they stumbled upon disagreements and social clashes which caused severe delays and impediments.

The starting point in this comparative politics approach is to focus on the impact that the divergent institutional settings have on the policy-making process and note the key differences that occur. In contemporary democratic societies a polity is governed through a set of institutions that form the general framework within which actors participate in national politics in order to trace particular policies. However, the institutional arrangements across polities vary to the extent that they are at least partially responsible for the deviation in the structure of the political processes and the approach national actors pursue in it. In other words, within different societies the political process and the pathways national actors follow to legitimize transformative changes are likely to differ according to the nature of the institutional context. Possible institutional arrangements such as the nation's political make up, financial situation, corporatist system, structural stability and complexity of the lawmaking processes can all combine to determine the pace, scope and style of transformative policy changes, like privatization. It is crucial to outline the divergence of national identities, values, norms and collective memories that serve to shape the incentive-based push of interests or the path-dependent pull of institutions as these vary across countries and time. This is recognized by Wright (1994:29) who argues that 'the political background to privatization reveals the importance of the interplay of constitutional and institutional arrangements with policy aspirations.'

The institutional context in which actors interact during the policy-making process differs across countries. In some cases the policy-making process encourages social dialogue and solutions based on negotiations while in others it promotes the direct clash of actors and interests. Jobert (Schmidt and Radaelli:2004:204) makes the distinction between arenas and fora (figure 1.1) claiming that 'arenas can be seen at the bargaining end of a continuum at the other end of which is arguing in fora. Another way of thinking about this is to see fora as the places where the individuals involved in epistemological communities, discourse coalitions, advocacy coalitions and the like interact in the generation of ideas, and to see arenas as the places where policy actors with the power to formulate policy engage one another in a co-ordinative discourse, fed by the ideas of the fora.'



Thus, a precise assessment of the institutional environment in which actors interact is essential as it sets the parameters of their behaviour and analyzes if they are included or excluded from the policy making process. Olsen (2009:445) states that 'institutions are not epiphenomena that mirror predetermined individual preferences and initial resources or societal imperatives. They are not simply equilibrium contracts among self-seeking, calculating individual actors or arenas for contending social forces and circumstances...Their organisation makes a difference and each organisational form mobilises a bias. Each facilitates and denies access to different actors, issues, arguments, conflicts, and resources.'

The central distinction of the thesis classifies divergent institutional contexts according to specific characteristics, into simple and compound polities (figure 1.2). Depending on the existence of a simple or compound polity the audiences to which actors appeal, the reasons they eventually bring forward in order to justify transformative political changes and the way they actually apply it, varies significantly. In short, the argument proposed is that national actors within different institutional contexts tend to engage in different types of domestic discourses. Schmidt (2004:4) describes simple polities as those that have 'a greater concentration of power and authority in unitary institutional structures, a lesser amount of interest access and influence through statist policymaking processes in which the executive has a monopoly on policy formulation but accommodates interests in policy implementation; and a more polarized or conflictual politics in majoritarian representation systems with highly partisan patterns of voting and exercising voice.' In short, simple polities are typically characterized by a polarized political environment where the concentration of power is in a single party executive and there is a limited access of interest groups in the policy formulation process.

FIGURE 1.2

Governance Practices in Simple and Compound Polities

	Institutional Structures	Policy Formulation Process	Policy Implementation Process	Representative Politics
Simple Polity (Greece)	Government has concentrated power and authority (unitary)	Little access and influence of interest groups (statist)	Governments adjust according to their ability to impose policies (derogation self-regulation)	Polarized politics, single party governments (majoritarian representation)
Compound Polity (Ireland)	Power and authority is diffused (federal, regionalized, corporate governance)	At least moderate access and influence of interest groups (corporatist)	Agreement on the policy formulation enables peaceful implementation process (corporatist or legalistic)	Coalition governments, consensus oriented politics (proportional representation)

In contrast compound polities are characterized (Schmidt:2004:3-4) by 'a high diffusion of power and authority through federal or regionalized institutional structures; a lower but still significant level of interest access and influence through corporatist policymaking processes, in which certain 'privileged' interests—mainly business and labor—are involved in policy formulation and implementation; and also promote consensus or compromise-oriented politics through proportional systems of representation, despite reasonably partisan patterns of voting and

exercising voice.’ In summary, compound polities regularly exercise cooperative politics, they have corporatist systems that include a significant number of domestic actors in the policy formulation process and use proportional electoral systems which lead to coalition governments.

Two major types of discourse that occur in both simple and compound polities are identified in this study (figure 1.3). Firstly, coordinative discourse, which usually takes place among domestic actors that have the opportunity to participate in the policy-making process. As such, it is restricted to a certain group of actors and requires an institutional context that incorporates them in the policy formulation. Usually, coordinative discourse is more evident in countries that traditionally have corporatist systems that reach broad social agreements. As Schmidt (2008:310) states coordinative discourse consists of ‘individuals and groups at the center of policy construction who are involved in the creation, elaboration, and justification of policy and programmatic ideas. These are the policy actors—the civil servants, elected officials, experts, organized interests, and activists, among others—who seek to coordinate agreement among themselves on policy ideas.’

FIGURE 1.3 Coordinative & Communicative Discourse in Simple & Compound Polities

Coordinative discourse	Communicative discourse
‘individuals and groups at the center of policy construction who are involved in the creation, elaboration, and justification of policy and programmatic ideas. These are the policy actors—the civil servants, elected officials, experts, organized interests, and activists, among others—who seek to coordinate agreement among themselves on policy ideas.’ Schmidt (2008:310)	‘consists of the individuals and groups involved in the presentation, deliberation, and legitimation of political ideas to the general public.’ Schmidt (2008:310-311)
Simple Polities ►	Strong communicative and weak coordinative discourse
Compound Polities ►	Strong coordinative and weak communicative discourse

Secondly, communicative discourse takes place during the policy execution phase and involves the effort made by national actors to justify, usually via public deliberations the application of a policy. For example actors that favour privatization will promote the communicative discourse supporting and legitimating the policy to the general public. Simultaneously though, the

communicative discourse includes all those actors that oppose the policy. Both sides communicate their responses to the general public stimulating the national discussion. The objective is to legitimate the policy and win over the public opinion concerning the necessity to apply or object the application of the policy. In principle, the general public may engage in the national discourse via grass-roots organizing, social mobilization, demonstrations and elections. According to Schmidt (2008:310-311) communicative discourse 'consists of the individuals and groups involved in the presentation, deliberation, and legitimation of political ideas to the general public.'

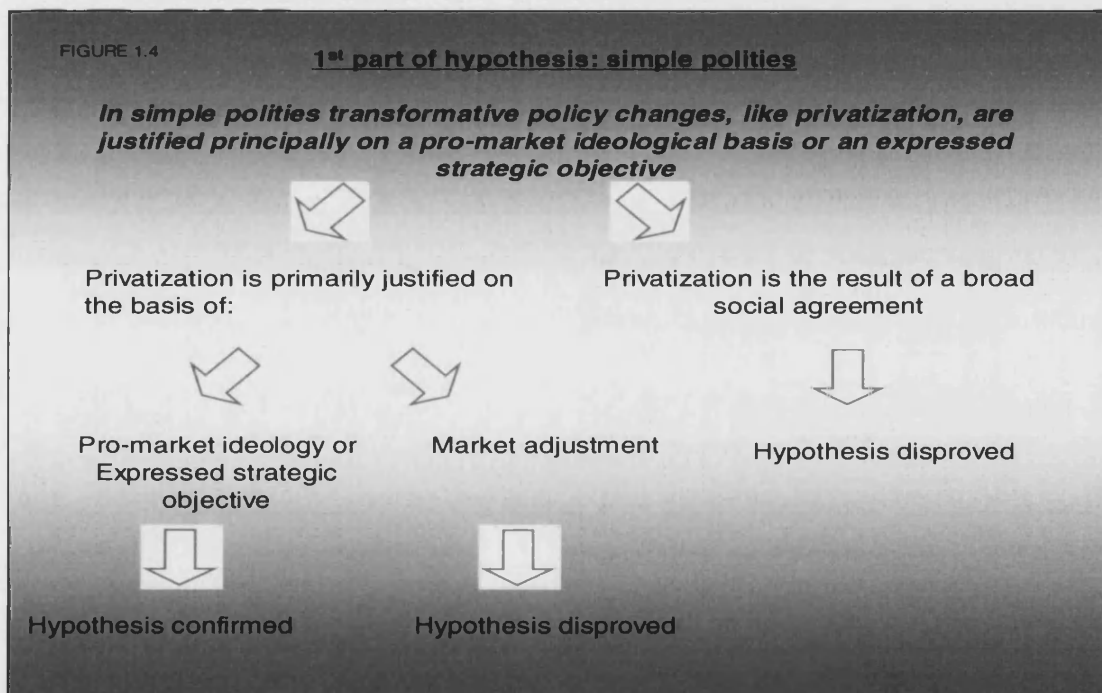
1.3 Hypothesis

The thesis hypothesis seeks to explain the reasons that a dissimilar privatization discourse was employed by national actors across different countries. The argument put forth is the following: some national governments legitimate their privatization programmes on the basis of managerial adjustment to market needs while others use further reasons to build grounds of justification either based on ideological claims or strategic reasons. In fact, Wright (1994:6-7) supports that 'one can distinguish between the ideologically and politically inspired privatization ambitions of the neo-liberal conservative governments...and the more pragmatic and limited ambitions of the governments elsewhere...in some cases, this package [privatization] is ideologically inspired...in others it represents a reluctant managerial adjustment to changed economic and financial circumstances.'

The question this study is called to answer is whether particular discourses are shaped by the national institutional settings of a country. The purpose of the hypothesis is to highlight and test the relationship between the type of the institutional structure and the particular discourse produced. The independent variable is distinguished by the way national institutional settings are organized (either simple or compound polities) and it tests the type of arguments employed by national actors in justifying privatization during the domestic discourse (dependent variable). Immergut (1998:26) frames the discussion by stating that 'institutions do not determine behavior, they simply provide a context for action that helps us to understand why actors make the choices that they do.'

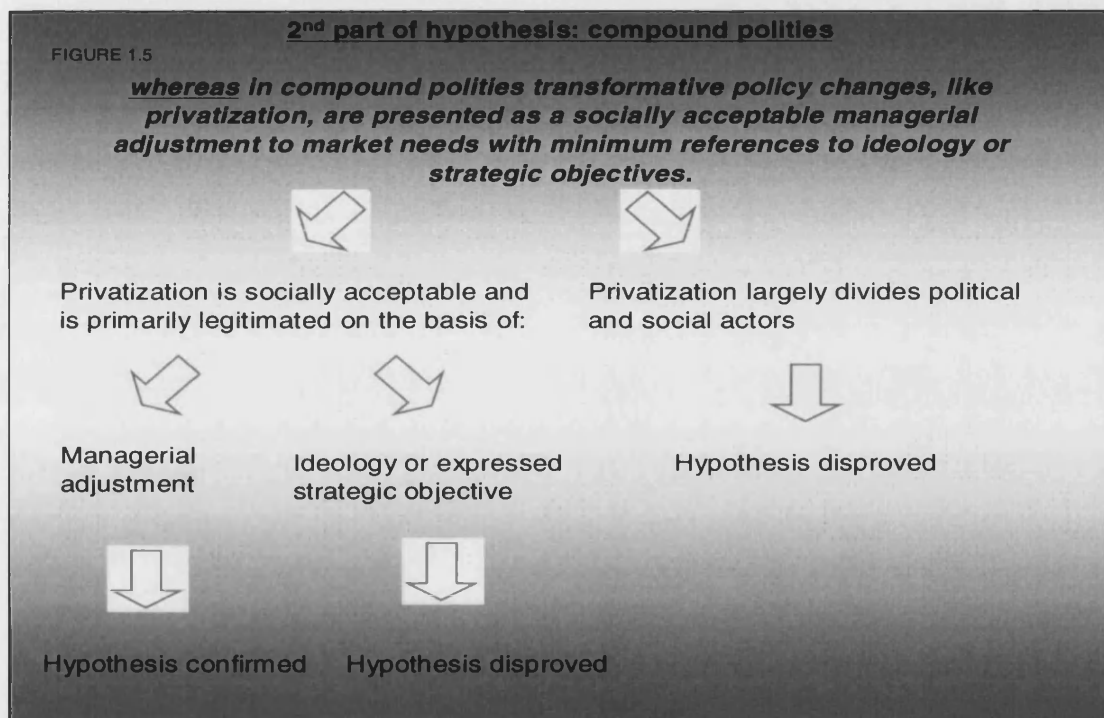
Hypothesis: In simple polities transformative policy changes, like privatization, are justified principally on a pro-market ideological basis or an expressed strategic objective, whereas in compound polities they are presented as a socially acceptable managerial adjustment to market needs with minimum references to ideology or strategic objectives.

The first part (figure 1.4) argues that in simple polities privatization is justified principally on a pro-market ideological basis or an expressed strategic objective. The rationale, in this case, is the following: in simple polities during the policy-making stage, governments tend to instigate privatization measures largely in a unilateral fashion due to the polarized political environment and the absence of a functional corporatist system that guarantees broad interest representation. Thus, there is no political consensus and a lack of adequate consultation with the affected interest groups. Ultimately there is no political and social agreement regarding privatization. In other words, there is an insufficient coordinative discourse and consequently, governments promoting privatization have to cope with the opposition coming from the political parties and the excluded interest groups. In this case, if governments do not come up with a sufficiently legitimating communicative discourse about the application of privatization they may face sanctions ranging from mass protests to loss of public confidence.



During an intensive communicative discourse governments resort directly to the general public rendering it as the ultimate judge of the necessity of the policy. They seek to follow a particular discourse that will simultaneously justify privatization, but more importantly, will facilitate them to build an impetus and garner adequate public support to implement the policy. Hence, they appeal to the public deliberately choosing to associate its application either with an ideological claim or with the realization of further grand strategic national goals with which citizens can easily identify their interests. In the first case governments that appeal to ideology usually state that they have

been voted to office in order to apply their policies, therefore they have a manifesto and a moral legitimacy to act accordingly. Whereas in the second case, governments link their privatization programmes with the accomplishment of strategic goals that usually enjoy increased social acceptance, thus hoping that the general public will show more understanding for their application. In contrast, they do not justify privatization on the basis of the adjustment of an individual state owned entity (SOE) to modern market needs as it is not considered an effective argument to gather sufficient public support.



The second part of the hypothesis (figure 1.5) claims that in compound polities privatization is presented as a socially acceptable managerial adjustment to market needs with minimum references to ideology or strategic objectives. In this case the argument supports that in compound polities the coordinative discourse is more elaborate than the communicative discourse and as such the privatization of a SOE is the product of an agreement among national actors. This occurs because in such polities the institutional framework facilitates coordination among national actors in order to reach a widespread agreement, which examines the application of privatization according to the needs of each SOE. Interest groups participating at this stage are responsible to communicate the agreement to the constituents they represent. Once an agreement is finalized among key actors there is little need for the government to reach out for further public legitimation. As a result, political leaders need only modest effort in the communicative discourse to legitimize and convince the general public about the necessity of the

policy and do not have to appeal to ideological claims or strategic reasons in order to gather further public support for the policy. There are arguments to claim that the government will not seek to communicate to the public anything more than the essential information, as it may not want to publicize the behind-the-doors negotiations, without jeopardizing any of the compromises agreed among the actors involved. Therefore the discourse involves the negotiations between domestic actors during the policy formulation process.

To a large extent the distinction between compound and simple polities is reflected by Olsen (2009:444-445) who suggests that change in a polity is driven either by society or the government. 'The first assumes priority for societal dynamics and argues that autonomy reforms are dictated by the functional requirements of social transformations and an increasingly complex and dynamic society...The second [considers the] government [as] the architect of political order, designing, reforming and eliminating institutions...Institutions and actors are given autonomy in order to promote the common interest, as interpreted by government and legislature.' In other words, compound polities are characterized by societal dynamics and a strong coordinative discourse whereas in simple polities the government decides and acts unilaterally to a large extent and therefore resorts to an intensive communicative discourse.

In order to confirm the first part of the hypothesis it is necessary to demonstrate a clear relationship linking the application of privatization and its justification either on an ideological claim or a strategic reason such as fulfillment of EU objectives. Therefore an explanation of what constitutes an ideological claim and what is a strategic reason and how each one of the two may be recognized is absolutely necessary. In cases where such an association does not emerge then the hypothesis is disproved. Additionally, if it appears through the domestic discourse that privatization in simple polities is legitimated on managerial adjustment to market needs the first part will be disproved. Furthermore it is essential to explain how and under what circumstances all of the above may be identified and measured against each other in the domestic discourse.

Again, in order to confirm the second part of the hypothesis dealing with compound polities, it is necessary to identify, compare and measure all the reasons that national actors bring forward in the discourse when they legitimate the adoption of privatization. There are two important factors to consider in order to confirm this hypothesis. Firstly it is essential to positively affirm that the managerial adjustment to market needs legitimation of the privatization process dominates the discourse. Secondly, it requires indicating that references –if any- to ideology or strategic reasons are of secondary importance. If through the discourse these two factors are verified, then the hypothesis is confirmed. In contrast, if only one of the two or neither of them is clearly demonstrated then the hypothesis is rejected.

Obviously, to some extent the theoretical part of this analysis is based on an overview of reality as the application of privatization is unlikely to be justified on one single reason regardless of a polity's institutional framework. The importance of this approach is that it allows the simultaneous methodical examination of different variables that shape the policy making process and compare their importance. If the empirical examination were based on a model of strict cause-effect relationship, it would not represent a comprehensive picture as it would be ignoring crucial variables regarding privatization politics. Eventually, the critical aim is to break down these complex relations into distinct variables, which will allow the isolation of critical variables and test their effects. In this way a systematic matching and contrasting of cases can be attempted which will allow the identification of key distinguishing variables while controlling others.

1.4 Dependent variable: Arguments in the discourse as a means to legitimate privatization

This section analyzes the dependent variable in the hypothesis which is the central reason employed by national actors in the public discourse in order to legitimate their privatization programme. By examining this variable it is possible to distinguish between the different reasons national actors utilize in order to justify privatization and the implications each of them has on the policy making process. As national actors rarely justify privatization strictly on one reason, the study of the domestic discourse makes it possible to evaluate them and assess their relative importance in the legitimization process.

1.4.1 Ideological grounds

The legitimization of privatization by national actors on ideological grounds is the first reason examined. In such cases, national actors believe and openly advocate that the public sector will improve its economic and administrative efficiency only if market oriented policies such as privatization are applied in most sectors of an economy. Wright (1994:14) confirms such an assumption stating that 'the first series of motives may be described as broadly ideological...privatization is part of a general strategy to shift the boundary between the public and private in the favour of the latter.'

In contemporary politics¹ it was the UK Conservative Party led by Margaret Thatcher (1979-1990) that evolved into the global pioneer of extensive privatization programmes in the early 1980s. The

¹ Although privatization has become a global political trend in the last two decades the concept is not new. In 1776, Adam Smith (1976:824) proposed the sale of government properties and lands as a stimulus to the economies of every country in Europe, thereby inducing a reduction in public debt and increasing overall productivity. Smith argued that 'in every great

focus of Thatcher's campaign was based on the neo-liberal ideological foundations that private companies are more efficient than the respective public ones in a free market setting and contested the traditional values of the public sector. As a result her governments made a systematic effort to push back the boundaries of the state, in order to shift the boundaries between public and private spheres in favour of the latter and replace previous state activities by innovative private investors. She argued that a smaller but more efficient public sector is more beneficial than a large, costly and ineffective one. Thatcher (2002:414-415) underlined that 'those of us who believe that free-market capitalism is the only reliable basis for economic progress are saying... that in the vast majority of human undertakings it is best to rely on men's pursuit of their own individual good to ensure that the wants of all are supplied.'

The root of the privatization movement has been based on the principle that market competition in the private sector should take precedence over socio-political criteria, as the former provides citizens with better services, more choices and secures important economic benefits for the government. Peters and Pierre (2003:4-5) state that 'the strategy seems to have been that future legitimacy of public sector institutions should rest less on traditional values like universality, equality and legal security and more on performance and service delivery...the reform of the public administration over the past several decades has concentrated on the managerial aspects of government, attempting to make government more efficient, effective and economical. These three Es have driven a massive change in the public sector, much of it focusing on the role of the market as an exemplar for good management.'

Neo-liberal advocates argue that SOEs that do not function according to market principles, but serve political interests have a smaller capacity to make profits and an increased possibility of becoming an economic burden to the government. This occurs because politicians are practically in charge in SOEs, which means that whenever they yield and political concerns outweigh commercial ones, they influence what should be management decisions, which then results in ineffective management. As Martin and Parker (1997:38) note 'elected politicians have different priorities than managers and are often in conflict since effective business managers do not accept any intervention in their management from politicians who are trying to serve their electoral interests.' Characteristically, the World Bank (1992) argues that 'good SOE performance has been very difficult to bring about--and even harder to sustain. Governments facing financial crisis often try to improve performance by bringing in new and dynamic managers, and paying them

monarchy in Europe the sale of the Crown's lands would produce a very large sum of money which, if applied to payments of the public debts, would deliver from mortgage a much greater revenue than any which those lands have ever afforded to the Crown...When the Crown lands had become private property, they would, in the course of a few years, become well improved and well cultivated.'

incentive salaries. And they grant managers autonomy to set prices and hire and fire--and agree to overdue tariff increases and payment of past due bills. These measures often have a positive effect. But as the crisis dissipates, so do the politics resolve. Political interference, a common and deadly disease of SOEs, tends to re-emerge--and painfully achieved SOE reforms tend to backslide. SOEs thought to be well on the road to recovery, have either stopped improving performance or suffered deterioration.' Likewise, Ernst and Young Corporate Finance (1990:5) argues that restructured SOEs will keep on performing well if there is an 'exceptionally good management team, successive governments are constantly committed to a hands-off approach, are prepared to allow expansion when the time is right, are prepared to override short term political sensitivities when necessary and are also prepared to provide adequate funding for capital expenditure plans. This rarely happens.'

Political parties that ideologically support privatization claim that they are authorized to apply their policy choices because they have received sufficient public support from the electorate. They argue that an affirmative vote for their party indicates approval of their ideology that the application of privatization benefits public administration and ultimately society. Such an assumption may be illustrated only through discourse analysis and needs sufficient evidence in order to be confirmed. This set of findings could be supported if it reveals some form of an official public commitment to privatization made by the political party such as the publication of an ideological statement in the form of an economic programme, political manifesto or press release. A characteristic example involves political parties that underline the need to apply privatization in their economic programmes during electoral campaigns and then proceed to implement it after coming into office. Similarly, this is verified if a given government has ideologically incorporated privatization in its formal agenda (programme of governance) anytime during its tenure.

1.4.2 Strategic objectives: Financial motives and EU constraints

The second reason national actors employ to justify privatization, in the domestic political scene is for strategic empowerment. Clarke and Pitelis (1993:6) state that 'the explanation of the drive for privatization is more complex, and more political, than pure "market versus planning" considerations might suggest.' In this case the study distinguishes the strategic reasons into two categories: one grounded on broader financial motives and the other on the adjustment to the EU constraints. Policy makers appeal to strategic reasons aiming to gain an impetus for their measures because they believe that the outcome they hoped for is not feasible if supported only in its merits. According to Campbell (1998: 394), in an attempt to justify their political and technical choices, policymakers employ 'symbols and concepts with which to frame solutions to policy problems in normatively acceptable terms through transposition and bricolage.' In such

cases, the policy process takes the form of rhetorical frames appealing to shared political, social and economic understandings.

1.4.3 Financial reasons

This section posits that in the absence of an expressed ideological pledge, governments legitimize their privatization programmes on pure financial considerations related to the performance of the national economy and the fiscal needs. In other words, the selling of state assets raises money for public sector managers and for governments which are under the pressure to divest from a state problem such as reducing the public debt or fill in budgetary gaps. Privatization has proved to be an attainable method to raise capital, ease down fiscal difficulties and reduce the public debt. Wright (1994:24) remarks that 'despite its problem-ridden and paradoxical nature privatization will remain on the European policy agenda, if only for financial reasons. It is a pot of gold for governments short of money and unwilling to raise taxes.' Similarly, Kay (in Wright 1994:5) describes that even governments that had intensely opposed it in the past eventually acknowledged that 'achievable objectives became reasons to justify the programmes.'

In recent years governments have committed themselves to achieving specific economic results such as lowering taxes, decreasing the public debt but simultaneously maintaining a safe fiscal policy. On some occasions this is easier to achieve by selling SOEs than by cutting public expenditure. This is exemplified by Zahariadis (2003:29) who suggests that 'budgetary constraints are an important problem affecting the likelihood of privatization. Rising government needs create pressures to curb public expenditures, particularly in times of increased hostility among the electorate toward raising taxes. Privatization is viewed as a policy that, at least in the short term, reduces the need to borrow funds. Other things being equal, higher borrowing needs make privatization more likely.' Likewise, Kay (2002) points out that 'privatisation [is], in fact, the product of a conflict between adherence to macroeconomic targets for public sector borrowing and the need for large scale investment.' As a result, governments short of capital regularly opt for privatization.

On some occasions privatization even serves as a useful tactic in the run up to the elections or even the need to satisfy short-term fiscal and economic objectives. Clifton, Cumin and Diaz (2006:745) underline that the timing of the privatization programme is crucial. They argue that 'privatization is best explained here by a "tactical" or "opportunistic" strategy, whereby tranches of large companies were sold when financial market conditions were attractive. Privatization programmes...were guided by the relative importance of public offerings of telecommunications companies and by tactics to maximize revenue.'

In the case of non-profitable or loss-making SOEs privatization immediately means taking the burden of financing it off the shoulders and pockets of taxpayers, as well as freeing some national budget resources, which may be subsequently used for other purposes. By aiding financially SOEs that are not able to respond to market needs, the state enforces taxpayers to fund a business that cannot sustain itself. However, SOEs that are loss-making usually do not attract investors or buyers. Therefore, governments enact measures to restructure and make them viable and further reconsider whether they must be privatized or not. Shafer (2000:7) mentions that 'some privatized firms have gone under but this, by itself, does not mean the policy has failed. In some cases, the marketplace has closed down non-viable firms that were a drain on the government budget and a drag on the economy.'

National governments legitimate privatization by such reasons when there is a necessity to increase economic resources in order to meet expressed strategic national economic and fiscal goals, for which, there is usually increased social consensus. In order to affirm this, it is required to establish a direct link between the reasons brought forward by the national actors legitimating privatization and the existence of a clearly expressed strategic need to raise revenues for fiscal consolidation or other economic purposes. Such an association may be demonstrated only through the extensive presentation of public statements and actions by domestic actors proving that this was the primary reason used in order to justify the privatization programme.

1.4.4 EU as a perceived constraint

The second strategic reason national actors utilize during the domestic discourse to gain a drive for their measures is based on a perceived EU constraint. The argument is based on the fact that although the EU did not require privatization the effect of its policies -among others the liberalization directives, the single market, EMU and EU competition legislation- were so important that it acted like an external stimulus which severely influenced the domestic discourse. Clifton, Cumin and Diaz (2006:740) suggest that 'privatization in the EU has its own defining features, patterns, hallmarks and "values." Developments in the EU have acted as catalysts or filters and may be used to explain the development of EU privatization'.

This hypothesis entails an external stimulus which leads national actors to use the requirement of adjusting to EU policies as their main legitimating factor. As Lane (1997) argues 'it is difficult to explain the emergence of privatization on the agenda of so many different nations at roughly the same time if we take it for granted that it is domestic factor variables that mainly determine policy.' However, it is interesting to note that although all member states are required to deal with

the EU policy effects, not all of them find Europe as a positive resource that will assist them in the justification of their national privatization programme.

As it would not be possible to analyze the national privatization discourse without examining the impact of the EU policy effects on the domestic policy making process, this hypothesis is to be seen in the context of Europeanization literature. Defining Europeanization as a concept has proved an uneasy task as there is no single agreed-upon definition. However, it is broadly accepted that Europeanization expresses the degree to which the EU shapes member states' discourse, agenda, policy direction, implementation and institution building. Europeanization relies heavily on the notion of directives which are 'binding as to the result to be achieved, upon each member state, but [shall] leave to the national authorities the choice of forms and methods.'² As such Radaelli (2003:50) points out that Europeanization must be regarded as 'interplay between exogenous EU policy and domestic endogenous factors.' Featherstone (2003a:3) sets its boundaries by underlining that 'in a maximalist sense, the structural change that it entails must fundamentally be of a phenomenon exhibiting similar attributes to those that predominate in, or are closely identified with "Europe." Minimally, "Europeanization" involves a response to the policies of the EU.' Another meaning is provided by Thatcher (2004:286) who explains the difference between EU integration and Europeanization defining 'the former as the making of authoritative rules and decisions at the EC level...and the latter as the effects of those rules and decisions within member states. This does not mean taking a stance on who controls European integration, but rather, for analytical purposes, separating decisions at the EU level from their effects at the domestic level.'

Regardless of the fact that Europeanization points the way to a new set of processes in order to understand in what ways it may become a useful and innovative concept, it is essential to note its weaknesses and limits. Firstly, as a conceptual framework it is at an early stage of development and does not yet do what a theory should do: it describes a process that is seemingly under way, but has little or no ability to explain it accurately. In fact, Europeanization runs the risk of conceptual stretching and as Featherstone and Radaelli (2003:333) note, it 'is not so much a theory as a distinct set of processes in need of explanation...[and] requires theoretical approaches developed elsewhere to be adapted in order to offer suitable explanatory frames.' Thus, in order to use Europeanization as an effective analytical and explanatory tool, it is necessary to amalgamate it with discursive institutionalism and subsequently draw a relationship between Europeanization and national privatization programmes.

² Chapter 2, Article 249 The Treaty Establishing the European Community.

The EU has manifestly kept a neutral position on the issue of ownership and has not openly promoted privatization at any point. The task is to demonstrate that the EU is being utilized by national actors in the domestic discourse as the main tool that justifies the privatization programme. Thatcher (2004:284-309) acknowledges the significance of linking Europeanization with discourse analysis and notes that 'using the EU to legitimate reforms is linked to discourse: actors use European integration as part of strategies of 'communicative discourse' to obtain assent to reforms...Discourse is a weapon for certain actors; and offers public evidence for the use of European integration as a resource.' In other words Thatcher argues that the EU may be identified during the communicative discourse as an empowerment for the domestic actors that will help them justify the policy.

European policies are not always compatible with the pre-existing policies followed in the member states or even with their institutional settings, rules and practices. In fact each set of national, political, economic, societal and legal institutions vary and thus their reactions to a common EU policy will reasonably diverge. Initially, some countries' national policies match the respective EU goals and as a result there is little, if any, need to adapt. Similarly, some countries' institutions are more capable to respond to the EU policies without the need to perform significant changes in their institutional arrangements. In contrast, other countries' domestic practices do not fit well with the EU practices and as a result there is a need to adapt the national political framework according to the EU objectives or even transform it in order to comply with the EU requirements. When the domestic institutional arrangements and practices comply with the EU objectives and practices there is a 'policy fit' and there is little necessity for the EU to exercise adaptational pressure towards such countries. Whereas, when the domestic institutional settings and practices are incompatible there is a 'policy misfit' and the adaptational pressure exercised to that country is more intensive. Risse, Green-Cowles and Caporaso (2001:7) argue that 'the degree of adaptational pressure generated by Europeanization depends on the 'fit' or 'misfit' between European institutions and the domestic structures. The lower the compatibility (fit) between European institutions, on the one hand, and national institutions, on the other, the higher the adaptational pressures.' In other words, the argument is that the Europeanization effect is more noticeable in countries that have a policy 'misfit', and due to the adaptational pressure they are called to perform more significant changes in their domestic practices.

By examining the 'Europeanization' discourse, it is possible to compare the differential impact it may have across countries and note the reasons why divergent responses occur in relation to a uniform EU policy. It is essential to note the circumstances under which national actors employ EU perceived constraints in their discourse and how much weight they give to it. The questions that need to be answered through empirical investigation are: if, how and why it is the central

reason justifying privatization. In fact this study investigates whether the differential impact regarding the use of 'Europe' as a legitimating factor may be a matter related to the diverse institutional settings. The argument built here is that mostly in simple polities –rather than compound polities- during the communicative discourse, Europe whether considered as a positive or ultimate legitimating resource for troubled national governments may act as a means to justify policies that are otherwise less likely to obtain assent.

In this study the key point in confirming this hypothesis is to illustrate initially a visibly causal relationship linking the key role of the perceived EU constraints with the legitimation of the policy in the domestic privatization discourse. In order to demonstrate such a relationship it is required to examine the reasons given by the political, economic and social actors that justify their adoption of privatization. If the national actors have repeatedly acknowledged in manifestos, economic programmes, press releases and formal statements that the EU policy effects were the main reason that privatization entered the political agenda, then it is possible to establish sustained evidence that there is a connection between them. In any other case such a relationship is not proven and as a result the EU policy effects are eliminated as the main legitimating factor. It is essential to demonstrate that Europe is not only one among many other factors mentioned by the national actors, but is in fact the dominant reason utilized by the government in order to justify its reforms. In this manner, the degree of significance or irrelevance of the external EU stimulus in shaping privatization politics will be demonstrated. If such an association between the privatization discourse and the EU constraints is not revealed, then this hypothesis will be rejected.

1.4.5 Managerial adjustment to market needs

The necessity to adapt particular SOEs to the changing financial environment is another reason employed by national actors justifying the adoption of privatization in the domestic discourse. Privatization is widely acknowledged to be the reasonable next step for a public entity which either needs funds to further its investments or technological expertise to improve its services. The period chosen to implement the privatization and the political effects are not usually an important obstacle since there is a considerable level of consensus among the involved social actors and the focus is on the details. Olsen (2009:443) states that 'reforms prescribe that public administration must adapt to 'society's needs', understood as market forces, customers' and stakeholders' preferences... Reforms have reflected the triumph of market-management ideology and a shift towards doctrines of economic laissez-faire, government non-interference, and governance without government'

As a matter of fact national actors and political parties that had traditionally disagreed with privatization have over time partially altered their position and have acknowledged certain advantages that privatization entails. Previously such actors disputed claims concerning the alleged lack of incentive or capability of the government to ensure that state owned enterprises are efficiently managed. The argument was based on the idea that governments are proxy owners answerable to the people. In fact, they claimed that improvement of SOE management does not go hand in hand with privatization, but can be applied within the public sector. Hebdon (1995:29) indicates that 'privatization rather than a panacea may prove to be a disruptive, socially destabilizing, and ultimately harmful method of cost saving. The practical answer can be found in public sector reform through dialogue, discussion, and negotiation. The productivity improvements that government needs can be acquired by workplace innovations that combine substantial employees' participation in decision making with the sharing of economic gains.'

The need to help specific SOEs to further develop has led national actors that had traditionally disapproved of privatization to lift their concerns to a certain extent. In many occasions they have agreed on the necessity to privatize an SOE in order to enable it to adapt to modern market needs. Such a perspective has been presented by Giddens' 'third way' which did not overstate the importance of privatization but at the same time neither did he neglect its advantages. Giddens (2000:59) argues that 'it is quite untrue to say that the only way to breathe new life into public institutions is to privatize them, necessary though this sometimes may be.'

In order to demonstrate that national actors justify privatization on such grounds, it is essential to show that it is not continuously linked either with an ideological conviction or an expressed strategic reason. In fact governments that privatize in order to facilitate particular SOEs to adjust to the market needs usually deal with each SOE on a case by case basis that is according to the needs of individual SOEs.

1.5 Privatization politics: actors, strategies and methods

As the relationship between political, economic and societal actors is manifold and complex, in order to understand the reason that privatization politics produce different types of discourse, it is necessary to generate a broader picture of public-private exchanges such as the analysis of various privatization strategies and methods. This is largely achieved by performing an in depth empirical analysis of the response of various public and private actors.

1.5.1 Privatization actors

Privatization has an important political dimension not only because it is a policy that involves a series of actors but also because these actors address their ideas to different audiences. Price (1988:5-6) comments that 'when government engages in an activity such as privatization, it is speaking to several audiences. Among the audiences that government speaks to are the managers of the Crown corporations, the workers who are employed in them, the members of the general public who are customers of Crown corporations, the general public who are taxpayers and who pay subsidies to support the losses of those corporations, potential investors who might buy shares in those corporations, the financial and business community which takes an interest in their performance, and the media commentators who observe this process and comment on the result and declare it to be a success or a failure. Every act of privatization speaks to all of those audiences.'

The intense political competition between key endogenous actors is a regular characteristic in privatization politics. The extent and content of this competition largely depends on the institutional structure, but also on the ability of domestic actors to convince all the interested groups of the necessity and viability of their policies. Feigenbaum, Henig and Hamnett (1998) stress that 'privatization initiatives are very much political competitions since they redistribute costs and benefits among diverse and competing groups. If privatizations are portrayed only as a necessary adaptation to fiscal constraints then we fail to acknowledge the considerable range of alternative responses open to governmental actors and the extent to which selection of policies within that range may reflect partisan tactics and pressure from mobilized interest groups.'

Privatization politics directly affect multiple actors and exacerbate substantial goal conflicts among them and therefore it is not possible to have a complete understanding unless the reactions, motivations, incentives and perspective of such actors are thoroughly examined. Lavdas (1996) comments that 'privatization processes have to come to terms with policy-opposing interest coalitions, which use a variety of formal and informal veto points in the political system in order to shift from the content, forms or direction of privatization plans.'

Politicians promoting privatization have to deal effectively with a number of veto coalitions that intend to impede such plans. The advocacy coalition framework divides the political competition among national actors into two opposing groups, in this case the pro and the anti privatization sides. Each coalition consists of multiple actors that share common policy beliefs within a policy subsystem and who unite in order to increase their prospects of achieving their objectives. This is exemplified by Sabatier (2007:196) stating that 'policy participants strive to translate components of their belief systems into actual policy before their opponents can do the same. In order to have any prospects of success, they must seek allies, share resources, and develop complementary

strategies.' In other words, policy preferences help unite allies and split opponents usually into clashing coalitions involving substantial goal conflicts and important technical disputes.

National governments traditionally face strong opposition by union confederations which are in many cases dominated by public sector interests. The elimination of public sector unions would alter employment practices, reduce their role and make pay and wages determinations more responsive to markets and performance than to political factors. Organized labour is deeply concerned with the effects on employment and job security and fears possible layoffs, erosion of wages and benefits, decreased levels of union membership and the loss of other privileges. Zahariadis (2003:43) comments that 'in contrast to liberalization, privatization involves winners and losers, it is, in other words, a zero sum policy, and the biggest losers are unions.'

In contrast, business interests regularly press governments and political parties to adopt measures that promote free enterprise as a model of social organization due to the increase of competitiveness, efficiency and innovation. The Confederation of European Business (BusinessEurope) consisting of the national industrial federations has since its founding in 1949, promoted cooperation in economic development throughout the continent. Characteristically, it states that 'the original aims included uniting the central industrial federations to foster solidarity between them; encouraging a Europe-wide competitive industrial policy.' As such, since privatization entered the agenda national industrialists' confederations have in most cases openly endorsed its application. The argumentation is based on their belief that private individuals are more capable managers when compared to public sector officials, as the former have increased personal incentives. Additionally, they claim that on certain occasions, privatization may encourage growth, broaden ownership and more importantly improve the operation of businesses in terms of economic efficiency and services offered.

The incorporation of the general public in the policy-making process and the communication of privatization from the policy makers to the public is an important factor determining the government's effort. Featherstone, Kazamias and Papadimitriou (2001:49) argue that 'for reforms to be politically feasible, it is not the opinion of technocrats which is decisive but that of the public.' The OECD (2003:28) notes that 'a major part of the problem of democratic reform is how to promote mass deliberation- how to bring people into the process under conditions where they can be engaged to think seriously and fully about public issues.'

In order to achieve greater public participation during the privatization process the governments must ensure that there is adequate and free access to information of the actual privatization facts. Thus the level of transparency in the privatization process plays a very important role in

enhancing political acceptability. Along with fears of increased unemployment and concerns about selling national assets, the fear of nontransparent and corrupt transactions is a leading political concern in privatizations. Kikeri and Nellis (2004:111) underline that the 'lack of transparency leads to allegations—and documented cases—of corruption, provides ammunition to opponents, creates backlash from investors and the public at large, and threatens to halt or even reverse privatization.'

At the same time, building social support for the privatization process involves the principle of equity, as privatization should be regarded as a fair deal in which everyone may participate and it should not give the impression that only a few stand to benefit at the expense of the majority. Transparency and equity go hand in hand and building on that Karaosmanoglu (Asiaweek:22-06-90) underlines that 'if people do not know how prices are set and whether revenues from privatization are used for frivolous purposes or for investments that are essential for alleviation of poverty and economic development, then it will not be easily accepted.' In other words, privatization must be judged by people on its merits, it must be perceived as the right thing to do and not as something that is enforced by one group of actors on the other. As a matter of fact, it is vital to explain to all sides the purposes of endorsing such a policy and what the effects of adopting it or obstructing it will be on the company and society. Karaosmanoglu (Asiaweek:22-06-90) states that 'the secret of privatization's success may indeed lie in making everything about it public.'

1.5.2 Privatization Strategies

Governments across Europe have pursued various privatization strategies with different elements and patterns according to their beliefs and objectives. Feigenbaum, Henig and Hamnett (1998) distinguish among three privatization typologies: pragmatic, tactical and systemic. They base such a distinction on the motivations influencing the overall government strategy, but acknowledge that their analysis tends 'to understate the complexity of privatization politics which involves multiple authors, people having different agendas and thus it is very difficult for a privatization of a public entity to fall exclusively under one of the three categories.' Therefore they claim that it is possible to identify aspects within a country, at various times, of all the three typologies.

Pragmatic privatizations incorporate the idea of technical feasibility and value acceptability. They are performed in order to adjust the public sector to the needs of an increasingly changing international environment and seem to be the logical next step for a public entity or even the apparent technical solution for a longstanding social problem. The period chosen to proceed with

the privatization, the political consequences and the ideological consistency are not an obstacle to pragmatic privatizations, since the focus is on the specific characteristics and the context of the problem. Theoretically, this type of privatization reform does not usually meet a great deal of resistance since it is regarded as being in the common benefit. Tactical privatizations are frequently the result of political opportunism. They are advocated in order to achieve short-term political goals of the government, such as balancing the annual budget deficit, or even altering the balance of power by attracting allies and rewarding supporters. Finally, systemic privatizations intend to reduce the scope of the public sector by encouraging greater reliance on private and market-oriented solutions. They aim at reshaping the entire society by fundamentally altering public institutions and transforming economic and political interests. Hence privatization evolves as the most appropriate solution to release the management from political interventions and enable it to focus entirely on its own affairs. Essentially, only governments that have espoused privatization and neo-liberal ideas openly adopt systemic privatization reforms that spread to most sectors of the society.

Another perspective is presented by Zahariadis (2003:27) who argues that there are certain vital factors concerning the government's privatization plan that help or obstruct its likelihood. He underlines the importance of technical feasibility and value acceptability and claims that 'an option that appears easier to implement stands a better chance of surviving this process, and hence it is more likely to be adopted. Moreover, proposals that do not conform to the values of many specialists in policy communities are less likely to be adopted.' A similar conclusion is reached by Bezes (2001:115) who stresses 'the importance of different leadership strategies for explaining different degrees of "success" in French prime ministerial attempts to reform public administration, distinguishing ineffective "offensive" strategies (aiming to "shatter" existing arrangements) and more successful "defensive" strategies for administration. The argument in this case is that the tendency in public policy is ultimately toward incremental change. Policy designers pursue small changes from the status quo which they are confident they can gather support for, rather than aiming for immediate transformation which invites more problems and difficulties.' Similarly, Vickers and Wright (1989:16) argue that 'any consideration of public policy-making must take into consideration the nature of policy communities and the prevailing policy style...radical policies run the risk of being emasculated.'

1.5.3 Privatization methods

Governments adopt the privatization method most suiting to their political and economic objectives, but also to their ideological orientation. There are numerous privatization methods that governments across the world have applied (figure 1.6). Kikeri and Nellis (2004:111) state that

'the strongest lesson of experience is that there is no universal model: regulatory frameworks need to take into account each country's unique political, legal, and institutional context.' Similarly, Lopez-Calva (1998:5) suggests that 'the method ought to be chosen while considering the specific objectives of the privatization process, as well as the political and institutional constraints that the government faces, and the market structure under which the firms will operate after the sale.'

FIGURE 1.6 EU MEMBER STATES: PRIVATIZATION METHODS IN TELECOMS (1984-2000)	
Company	Year / Method
BELGACOM	1995: DTS
BT	1984: IPO 1+ESOP, 1991: IPO 2, 1993: IPO 3
DEUTSCHE TELEKOM	1996: IPO 1+ ESOP, 1999: IPO 2, 2000: IPO 3
EIRCOM	1996: DTS, 1999: IPO+ESOP
FRANCE TELECOM	1997: IPO 1+ESOP 1, 1998: IPO 2, 1999: IPO 1+ESOP 2
KPN	1994: IPO 1, 1995: IPO 2
OTE	1996: IPO 1+ESOP, 1997: IPO 2, 1998: IPO 3, 1999: IPO 4
PORTUGAL TELECOM	1995: IPO 1+ESOP, 1996: IPO 2, 1997: IPO 3, 1999: IPO 4
SONERA	1998: IPO 1, 1999: IPO 2
TELE DANMARK	1994: IPO, 1997: DTS
TELECOM ITALIA	1997: IPO+ESOP
TELEFONICA	1995: IPO 1, 1997: IPO2
TELEKOM AUSTRIA	1998: DTS
IPO=INTERNATIONAL PUBLIC OFFERING (IPO 1=First sale of shares, IPO 2=Second sale etc.) ESOP=EMPLOYEE SHARE OWNERSHIP PLAN DTS=DIRECT TRADE SALE From Privatization International Yearbooks 1995-2000	

The first privatization method under consideration is the international public offering in the form of a flotation (IPO). An IPO is the sale of a part or even the entirety of the state owned entity's (SOE) shares to the general public and/or institutional investors in the domestic and /or international stock exchange market. The fact that IPOs are public transactions that usually permit all citizens to acquire shares of a specific company at a predetermined price renders them a highly transparent method. Other advantages are that they enhance the development of capital markets and widen share ownership. Additionally, when a company is publicly quoted, it may acquire a higher public profile, provide customers and suppliers with added reassurance and more significantly enable shareholders to realize their investments directly.

In contrast, the main disadvantage of IPOs is their cost, as governments are obliged to discount in the initial public offering, a term technically known as underpricing. Secondly, in order to determine the initial price of the share, governments use the book building system which does not

allow them to deliver a specific price, as the latter is fundamentally market-driven. Moreover, both the underpricing and the book building processes require marketing and technical consulting, thus further increasing the transaction costs. Finally, not all SOEs have the ability to be floated since in order to meet stock exchange listing requirements they must be profitable, possess up-to-date and accurate accounts, and in general be among the largest and best-performing firms.

The second privatization method involves the partial or total sale of state assets through a direct trade sale (DTS). DTSs to strategic investors involve a transfer of ownership and control to private investors whose expertise, supervision, authority and incentives are expected to guarantee a successful performance of the firm in a competitive environment. The SOE can use the experience and knowledge of the investor in order to improve its organizational capabilities, its management, technological innovation and technical expertise. Strategic partnering in the form of a DTS seeks to gain the benefits of expanding business operations while simultaneously minimizing some of the drawbacks –whether political or economic- of buying or internally developing the means to expand.

The negotiations concerning the bidding process include both advantages and disadvantages related with issues of economic gains and transparency. An important advantage of a DTS is that the government can receive higher revenues through competitive bidding by avoiding the income loss associated with underpricing of IPOs. However, if the SOE is underperforming it increases the difficulty of attracting reputable investors. The main disadvantages consist of the weaker effect in the development of the local capital market and the limitation of the possibility of broad ownership. There are also corresponding consequences in terms of corporate governance, since the sale may occur through a private placement of common equity that gives control to the buyers. This leaves little room for the participation of small investors in the decisions of the firm. However, this type of sale does not hinder political acceptability, especially if carried out through an open and clearly outlined bidding process. As Kikeri and Nellis (2004:112) note, 'although in some cases, negotiated sales may be the only option, in general the greater the openness and competition in the selection process, the greater the number of bidders, the higher the price paid—and the higher the level of public acceptance and satisfaction.'

The third privatization method involves employee buyout schemes where existing public managers and employees take over the public unit privately, typically purchasing the company through an Employee Share Ownership Plan (ESOP). ESOPs give employees the opportunity to buy a certain number of shares at a fixed price which may afford them a stake in the future growth of the company. The main reason that companies decide to proceed with such a technique is to align the interests of the employees with those of the government. In many cases

unions yield their opposition to privatization because they recognize that ESOPs may give them economic benefits. Also they take into consideration that the SOE is not sold to an outsider. Therefore, governments that want to build a consensus and achieve an agreement with the unions usually proceed to some form of an ESOP.

ESOPs have become an increasingly common and prominent part of the reward package, but opinion is divided on how valuable they are in driving up performance. ESOPs raise working capital and can be used to compensate employees of lower salaries and relieve pressure on cash flow. It is clear however that if they are to succeed, like any reward practice they need careful implementation and must be aligned with broader business objectives and with the organization's culture. Thus, if the SOE runs into difficulty the increased financial dependence that the employees have on the company will be a problem, since the latter have risked losing much of the value of savings held in the company share scheme. Although, ESOPs encourage loyalty, given that their share in ownership acts as an incentive and/or reward for employees, if the share price falls then the effect on their morale may cause further tensions in the company. Moreover, if the government issues too many shares to the employees it increases their influence over the management, which may create problems in the company's administration. Therefore, the percentages of shares that are offered to the employees are usually limited. As Lopez-Calva (1998:11) argues 'management-employee buyouts occur in the extreme cases of participation with control. Experience in several countries shows that this scheme endangers the microeconomic success of the reforms, even though it enhances its political acceptability.'

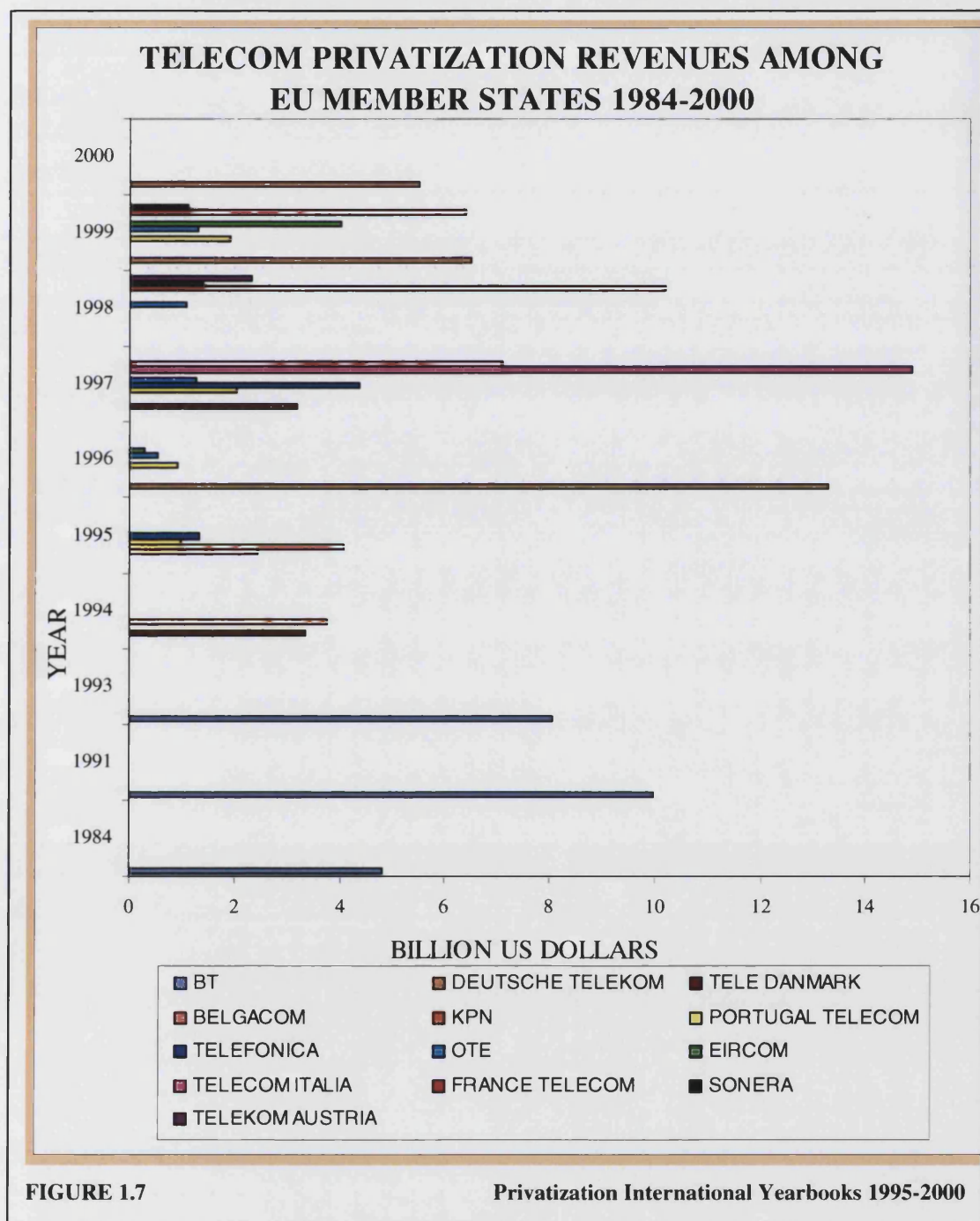
1.6 Sector selection: Telecoms in the European Union

Most aspects of contemporary business and communication require the effective functioning of

the telecoms sector since it affects all sectors of society ranging from the financial and banking

systems and computer businesses to media, tourism, shipping and education. Telecoms are of

vital importance in worldwide and national economic transactions and even in socio-political affairs. Hence, today the operation of an up-to-date, efficient and fully integrated telecoms network is of fundamental importance for the economic well-being of a modern democratic society. Therefore the main reason justifying the selection of examining the telecoms sector in this thesis has to do with its critical importance in the overall economic and societal affairs.



The role and significance of telecoms within society has grown over the last decades due to the rapid technological advancements and opportunities that they offer. National governments have continuously tried to follow the latest technological developments and to constantly adjust their public telecoms according to the always increasing needs. In many cases, governments decided –either with the assent of interest groups or even without it- that the partial or total privatization of their telecoms was necessary in order to permit their national companies to withstand international competition. In addition, in some cases privatization was legitimated on the grounds that it would bring back to the state a considerable amount for the exchequer (figure 1.7).

When examining the telecoms privatization discourse, it is not possible to ignore the role of the EU legislative initiatives in the sector. Until the late 1980s the regulatory traditions of the telecommunications sector across the EU was dominated by national monopolies accompanied by respective industrial policies that protected state owned national champions from potential competitors. However, within a decade, European telecoms experienced a drastic reform from a sector characterized by rigid and ineffective national monopolies to one facing full and vigorous competition, with the gradual and ultimately total liberalization of its services and infrastructure. National governments were called to make decisions about the status of their telecoms companies. Although the adjustment to the EU telecoms liberalization directives process did not formally include the application of privatization, it unmistakably coincides with the time that privatization enters the agenda in most member states. Thatcher (2001:574) notes that ‘in telecommunications, binding supranational legislation offered major domestic advantages for national governments of providing impetus for reform and a means of blame-shifting. Governments used EC legislation “imposed by Brussels” to justify reforms such as liberalization and privatization and to aid them to overcome domestic opponents to change such as trade unions and parts of the political left.’ In fact, before the completion of the fully liberalized EU telecoms market (1998) all member states had proceeded with at least the partial privatization of their telecoms. Hence it is interesting to examine and compare the response of national actors –in simple and compound polities- to common EU policies, in an industry that experienced radical transformation over the last decades.

In the mid 1980s the completion of the single market was unequivocally the major EU project. Community action was required in order to help achieve the creation of the single European market. Member-states agreed to open up their markets and break traditional state monopolies such as telecoms. Edward and Hoskins (1995:181-182) point out that ‘there must, to some extent, be Community legislation. Without a legislative framework, there will be inequality

between the market conditions in each member state, depending on whether the respective governments favour privatized or nationalized industries.' At that stage, public monopolies were questioned on three considerations. Firstly, there were economic arguments because of the rising dissatisfaction with the performance of public enterprises and the parallel anticipation that competition would improve efficiency. Secondly, the rapid technological advancement seriously weakened the claim supporting the existence of public monopolies only. Thirdly, there were political reasons because in certain countries there was an evident shift in the conception of the role of the state due to the spread of neo-liberal thinking.

Eventually, the EU decided to take action mainly as a response to international competition. Thatcher (1999) states that 'new technologies made much existing equipment technologically obsolete but required massive investment. The boundaries between telecommunications and the competitive computing and audiovisual sectors weakened, further imperiling public telecommunications operator's monopolies. Moreover, demand grew and became much more diverse; telecommunications became economically 'strategic' –ie a host of other sectors depended on modern efficient and cheap telecommunications services, from banking and finance to travel and tourism and computer-assisted manufacturing. As users became increasingly reliant on telecommunications supply, they also became more critical of poor supply by public telecommunications operators, whilst the stakes for nations in their telecommunications system rose.'

The economic need to liberalize the telecoms sector was confirmed in the 1987 Green Paper which acknowledged the increased demand for telecommunication services, the remarkable technological advancements and the requirement to enhance competitiveness in the sector. The Commission Green Paper (1988:5) on telecoms aimed to achieve greater harmonization and gradual market opening, so as to cultivate the environment for development and growth. It noted that 'the traditional form of organization of the sector does not allow the full development of the potential, of these new services. In order to create an open and dynamic market in this area it seems necessary to introduce regulatory changes to improve the sector's environment.' It was considered that national frontiers should not be allowed to hamper the development of a consistent communications system within the Community. On the contrary it should encourage competition via liberalization. The Green Paper (1988:9) concluded that 'with a view to 1992 and the full development of new economic activities with their potential for employment, a more liberal and flexible competitive environment for the telecommunications services and equipment market is indispensable for the overall development of the Community's technology and service markets.' In fact, the main target set was the introduction of a fully liberalized telecoms market by the 1st of January 1998.

At this point it was the Commission's initiatives, under its legislative power conferred by Article 86(3) EC³ which allowed it to pass two liberalization directives requiring the removal of special or exclusive rights granted by member states to their enterprises. The liberalization directives obliged member states to reevaluate the functioning ability of the telecoms sector and consider techniques to improve their competitiveness, but left up to the national authorities the way in which they would achieve it. With the publication of the 1987 Green Paper and the adoption of sectoral directives the EU established itself as a significant regulator in telecoms.

By 2000, EU legislation had expanded across the entire telecoms sector. Throughout the years the Commission issued directives liberalizing satellite networks,⁴ mobile telephony and alternative infrastructure.⁵ De Streel (2003:491-492) comments that 'the new framework may be divided in three layers of regulation, classified according to their objectives. First "entry regulation" dealing with entry in the market...second "economic regulation" [which] aims at ensuring the functioning of an effective competitive market, thereby maximizing economic efficiency...third, "social regulation" [which] aims to ensure that the needs of the citizens...are satisfied even though they are not necessarily guaranteed by the market alone.' The effect of this policy encouraged economic players to operate on a community-wide scale and to consider the entirety of the EU as their domestic market. Within the liberalized single market the long-standing national SOEs would not continue to enjoy economic and political support from the state, but would have to deal with pan-European competition with foreign and private firms that strictly operated on market criteria.

Despite the obligation each member state had to liberalize its national telecoms sector, at no point did the Community require privatization of public enterprises as long as the states ensured that they did not function as monopolies and safeguarded free competition. As a matter of fact, the Community kept a neutral position regarding the status of a given company, that is whether it

³ Article 86 EC Treaty states that:

(1) In the case of public undertakings and undertakings to which Member States grant special or exclusive rights, Member States shall neither enact nor maintain in force any measure contrary to the rules contained in this Treaty, in particular to those rules provided for in Article 12 and Articles 81 to 89.

(2) Undertakings entrusted with the operation of services of general economic interest or having the character of a revenue-producing monopoly shall be subject to the rules contained in this Treaty, in particular to the rules on competition, insofar as the application of such rules does not obstruct the performance, in law or in fact, of the particular tasks assigned to them. The development of trade must not be affected to such an extent as would be contrary to the interests of the Community.

(3) The Commission shall ensure the application of the provisions of this Article and shall, where necessary, address appropriate directives or decisions to Member States.

⁴ Directive 94/96 Satellite Directive [1994] OJ L268/15

⁵ Directive 96/2 Mobile Directive [1996] OJ L20/59; Directive 96/19 Full Competition Directive [1996] OJ L74/13

would remain under public or private ownership. In particular, Article 295 EC specifies that 'the Treaty shall in no way prejudice the rules in Member States governing the system of property ownership.'⁶ Indeed, the process of European integration and the adjustment to EU liberalization directives led national governments to abandon state protectionist behaviour and alter their traditional practices. Although there was a common EU policy for the completion of a fully liberalized telecoms market, it was left upon national actors to consider the most suitable method that would facilitate SOEs adjustment to the new circumstances and to eventually withstand pan-European competition.

Of all the member-states, only the UK had taken action independently of the EU and had liberalized and partially privatized the British Telecoms under the assertion that international competition and technological advancements were running long before the Green Paper was issued. As a result, it appears that indirectly or not EU developments have largely influenced the telecoms environment across member-states aiming at creating an effective market. Larouche (2002:142) points out that 'telecommunications –and now in the era of convergence, electronic communications- are not only an economic sector, but also even more a foundation for the proper functioning of the whole economy and society...it follows that, from the perspective of economic regulation, the electronic communications sector must not only function well as an economic sector, but that it must also operate so as to adequately discharge its foundational role for the whole of the economy and society.'

The choice to analyze the privatization discourse in the telecoms sector entails many different features. It gives this research the opportunity to include the EU based hypothesis in the analysis and examine whether national actors appealed to the EU during the domestic discourse as a means to justify their policy choices. At the same time, it does not exclude from its analysis other scenarios such as ideological claims, financial reasons and managerial adjustment. Furthermore, the vital role that telecommunications have in economic, political and social affairs makes it one of the most important sectors in modern democracies. Thus the discourse in the national telecoms privatization would arguably be rather representative of the state of affairs in the simple and compound polities that are under investigation.

1.7 New Institutionalism

Despite the fact that institutional studies have flourished over the last decades there is no single agreed upon definition among scholars of what constitutes an institution. The wide range of ideas

⁶ Article 295 EC

produced by political scientists confirms that there are many differences about the role, impact and effect institutions have in political affairs.

This thesis employs new institutionalism as the theory that examines the way institutions interact and affect society and affirms the critical role they have in the conduct of political affairs such as privatization. Weingast (2002:661) defines institutions as 'humanly devised constraints on action', arguing that such a broad definition comprises the sequence of interaction among particular actors, the choices available to them, the structure of information, beliefs and payoffs to individuals and groups.

New institutionalism states that a society's institutional settings not only structure the behaviour of its actors, but they also set the boundaries within which choices are made and through which preferences are derived and expressed. As Peters (1999:150) points out 'institutions are considered the central component of political life. In these theories institutions are the variable that explain most of political life, and they are also the factors that require explanation. The basic argument is that institutions do matter, and that they matter more than anything else that could be used to explain political decisions.'

Although, new institutionalism has been extensively employed by political scientists in the last decades, there are certain aspects that need further clarification. First of all, what new institutionalism stands for and why it is a useful theoretical basis in the explanation of political phenomena. New institutionalism as a theory developed after the 1950s and early 1960s as a vehicle for analyzing the behaviour of policy actors in order to understand politics and explain outcomes, rather than doing so with the formal rules and structure of a state. As Thelen and Steinmo (1998:3-4) note 'the behavioral revolution in political science was precisely the rejection of this old institutionalism. It was obvious that the formal laws, rules, and administrative structures did not explain actual political behavior or policy outcomes. Behavioralists argued that, analysts should focus not on the formal attributes of government institutions but instead on informal distributions of power, attitudes and political behavior.'

The scope of new institutionalism is not confined to formal institutions only, because it broadens the idea of politics in order to encompass a series of less formally structured agencies and processes. Bulmer (1998:369) argues that by 'including the less formal arenas of politics new institutionalism can be sensitive to the valuable findings of the 'policy community' and 'policy network' literature that has exposed the interconnectedness between formal state organizations and communities and networks of actors with an expertise and interest in a given policy area.' By focusing on these intermediate institutional features of political life, institutionalism provides the

theoretical bridge between political actors that make history and the processes which enable them to do so. As a result, new institutionalism achieves a greater analytic leverage in examining both formal and informal institutions.

From the perspective of new institutionalism, the capacity of actors to realize their ends is at least partially determined by the institutional context in which they operate. According to Bulmer (1998:369) 'new institutionalism places the analytical focus on the polity. Thus, we can understand politics as comprising three separate components: politics, polity and policy. The presumption is that the polity structures the inputs of social, economic and political forces and has a consequential impact on the policy outcome.' Similarly, Immergut (1998:21) confirms such an assessment arguing that 'not only may political institutions, political authorities, and political culture play a critical role in the definition, mobilization, and organization of interests, but the structure of political opportunities will shape the strategies of organized interests and their beliefs regarding the efficacy of different types of political action.'

Secondly, it is necessary to state that new institutionalism does not constitute a single body of thought, but that there are various new institutionalist approaches with different values and concepts. Hall and Taylor (1996:937) identify 'at least three different analytical approaches, each of which calls itself a 'new institutionalism'...We label these three schools of thought: historical institutionalism, rational choice institutionalism, and sociological institutionalism... each of these literatures seems to reveal different and genuine dimensions of human behaviour and of the effects institutions can have on behaviour.' The common point of all three is their agreement that institutions matter and their attempt to explain the role institutions have in the determination of social and political outcomes.

Historical institutionalism considers institutions as relatively persistent features, as continuities that are meant to preserve the historical landscape of a polity and at the same time to be the reason that shape a polity's development towards a specific direction. It examines the relationship between political actors considering them as objects and as agents of history. It has a view of institutional development that is based on path dependency that usually predisposes that the historical track of institutions will result in rather predictable occurrences. The theory assumes that policy outcomes may be better explained only after the historical analysis of the way particular coalitions are formed. Sanders (2006:39) notes that 'the central assumption of historical institutionalism is that it is more enlightening to study human political interaction: a) in the context of rule structures that are themselves human creations; and b) sequentially, as life is lived, rather than to take a snapshot of those interactions at only one point in time, and in isolation from the rule structures (institutions) in which they occur.'

Historical institutionalism places increased emphasis on the asymmetries of power associated with the functioning and development of institutions. The theory does not regard institutions as patterned relations that replace other variables or as the only cause of outcomes, but it illustrates how they relate to one another by drawing attention to the way political situations are structured. As Thelen and Steinmo (1998:11) point out one of the 'strengths of historical institutionalism is that it has carved out an important theoretical niche at the middle range that can help us integrate an understanding of general patterns of political history with an explanation of the contingent nature of political and economic development, and especially the role of political agency, conflict, and choice, in shaping that development.'

Rational choice institutionalism considers institutions as a system of rules and incentives in which individuals, groups, states and all of the policy actors are rational and compete among themselves in order to maximize the attainment of their gains and reach their goals. Contrary to rational choice theory, it emphasizes on the formal and informal institutions in order to explain political phenomena and underlines that actors do make rational choices, but always within the institutional constraints. It assumes that institutions are not considered neutral but are usually contested to the immediate political advantage of some set of actors over another as they set specific rules, design and structure the social struggle between competing sides.

Rational choice institutionalism focuses on the role of strategic interaction among policy actors. This occurs because the institutional structure provides specific information for the accomplishment of social agreements, type of the conflict and generally the interaction of the policy actors within society. Thus the way the institutional structure is organized privileges some interests while simultaneously it demobilizes others. In other words, it affects policy outcomes as it at least shapes and under certain circumstances may even determine the expectations about how others are likely to behave in response to or simultaneously with their own actions. In any case, it supports that an actor's behaviour is more likely to be driven by a strategic calculus rather than by impersonal historical forces.

Sociological institutionalism stresses that the role of culturally specific practices of a polity have a leading role in the explanation of political outcomes. One major reason that it differs from the other two new institutionalisms is the fact that it defines institutions in a wider manner in order to include cultural aspects such as symbol systems, cognitive scripts, and moral templates. Furthermore, sociological institutionalists argue that what policy actors consider rational choices are practically socially constituted. Gonzalez and Healey (2005:2057) claim that 'within the planning field, sociological institutionalists have been concerned with issues of identity and place

and the interconnection between these two...[Sociological institutionalists] have called this approach a cultural sociology of space which deals with the dialectic relationship between material practices and the meanings that social agents attach to their environment. From this perspective, planning practices can also be understood as an unequal encounter between different spatial imaginations, geographical languages, urban narratives that different groups hold about the same place and which are all embedded in the political economy of a concrete time and space.' In other words, the theory argues that in order to explain political outcomes it is essential to look into the frames of reference and cultural practices which structure how actors make sense of their collective worlds and engage cognitively in their everyday matters.

1.8 Discursive institutionalism as a theoretical framework

This thesis builds on the theoretical framework linking new institutionalism with discourse analysis. Schmidt and Radaelli (2004:193) coin the term 'discursive institutionalism' arguing 'that discourse must be set in institutional context, not only as one factor among a range of salient factors, but also in terms of its institutional setting, that is, in terms of the vast range of rules – culturally framed, path dependent, or interest-based on the national level, institutionally agreed at the EU level – that affect policy-making in any given socio-political setting.' Therefore the marriage of new institutionalism with discourse analysis constructs a more comprehensive theoretical model seeking to explain political phenomena by tying the two theories.

When explaining divergent privatization programmes across different national settings, it is insufficient to focus exclusively on the institutional layout and ignore the mode of interaction and communication between national actors. In fact it is impossible to have a complete understanding of the privatization process, without examining the way key national actors respond to it. This is largely accomplished via discourse analysis which provides a detailed insight into the content and extent of what national actors say to one another and to the public, within their institutional environment, in their attempt to form and justify their policy programmes and ideas. More specifically discourse theory is defined by Schmidt and Radaelli (2004:193) as 'both the policy ideas that speak to the soundness and appropriateness of policy programmes and the interactive processes of policy formulation and communication that serve to generate and disseminate those policy ideas.'

Discourse analysis unfolds in the form of ideas that are publicly articulated by national actors who compete among them in the process of convincing their targeted audiences about the appropriateness of their views. It facilitates the explanation of policy change because it highlights national actors' motivation and at the same time elucidates the reasons that have provoked them,

the way they have been publicly articulated and the kind of response they have had. There is no doubt that whilst private aspects may remain obscure, the public communication is itself important for what it indicates about the way actors seek to persuade and open up the process of reform. March and Olsen (1995:66) argue that 'discourse serves to explain political events, to legitimate political actions, to develop political identities, to reshape and/or reinterpret political history and, all in all, to frame the national political discussion.'

The examination of the discursive processes may help explain the reason the same ideas are more applicable in certain institutional contexts than in others, because of the way domestic actors project them. Discourse is not only limited to what is actually said in the national discussion but signifies under what conditions and how national actors appealed to each other. As a result, by investigating the domestic discourse deployed by the main national actors involved in the privatization process it is possible to assess how they react both individually and collectively. In addition, it explains the reasons that enabled or disabled them to pursue their interests and helps draw important conclusions for the variation in the performance of national actors.

Although discourse has not been regularly employed by political scientists there is recently a growing interest in it, as it is considered a valuable tool in explaining policy outcomes. Among others, Beland (2009), Zittoun (2009), Anderson (2008), Fueilleux (2004), Lieberman (2002) and Hajer (2002) outline ways in which ideational processes impact policy change. Larsen and Andersen (2009) emphasize that the new economic ideas have exerted an independent causal effect on policy change in the Danish welfare state: unemployment insurance, early retirement, and taxation, Seeleib-Kaiser and Fleckenstein (2007) examine the role of discourse in the German labour market reforms, Howorth (2004) looks into discourse and how that affects epistemic communities in European security and defence policy and Busch (2004) in the case of banking regulation.

Since it is inadequate to explain the privatization process by relying exclusively on the type of institutional layout a country has, similarly it would not be possible to investigate discourse in isolation as it is only one among various possible features that explain policy change. According to Beland (2009:712) a methodical amalgamation of new institutionalism and discourse analysis fills three major gaps in explaining key aspects of the politics of policy change. 'First, such processes help to shape the reform agenda and the problems actors seek to address. Second, these processes impact the content of reform proposals and policy agendas. Third, ideational processes such as value amplification participate in the construction of reform imperatives. At the broadest level, ideational processes shape the ways actors perceive their environment and their

interests. Yet... ideational processes are not the only locus of policy change, and institutional constraints impact the politics of ideas and policy change.'

The discursive institutionalist approach to comparative politics correlates the national institutional context with ideas as they are shaped in the domestic discourse and helps explain policy making and implementation. It does not seek to show that only discourse matters, but attempts to illustrate how and when it may exert a causal influence on privatization politics by shifting interests and overcoming obstacles to change. It focuses principally on how domestic actors involved in the policy process generate, accept, reject and legitimize their ideas. Schmidt (2008:303) argues that 'the newest "new institutionalism," discursive institutionalism, lends insight into the role of ideas and discourse in politics...It comes in two forms: the coordinative discourse among policy actors and the communicative discourse between political actors and the public. These forms differ in two formal institutional contexts; simple polities have a stronger communicative discourse and compound polities a stronger coordinative discourse.'

This thesis examines the division between simple and compound polities and more importantly, it looks into their governance practices and investigates whether the features attributed to them are verified. As a result, it does not merely test the above-mentioned hypothesis, but it puts under consideration the validity of 'discursive institutionalism' as a theory on its own. Such an approach assesses discourse, evaluates its effects during political processes, the design and carrying out of public policy and the making, unmaking and functioning of political institutions and political decision making.

Discursive institutionalism is a term that has been rather recently introduced by Vivien Schmidt. As a result it has not been extensively used in the field of political science. Schmidt employs it in order to discuss welfare adjustment (2002, 2004, 2005, 2006a and 2007b), European integration (2008), while Schmidt and Radaelli (2004) as a general theoretical framework. Similar approaches have been made among others by Arts and Buizer (2009) regarding forest policy, Mackay and Waylen (2009) on feminist institutionalism, Fairbrass (2008 and 2006) on business interests and corporate social responsibility, Peters (2005) and Wincott (2004) in policy change in Europe. It was also used by Beland and Hacker (2004) on American welfare, Fischer (2003) on public policy, Kjaer and Pedersen (2001) on the Danish economy, Smismans (2003) on the European civil society, Campbell (1998) on the importance of ideas in the institutional analysis of explaining policy outcomes, Somers and Block (2005) in analyzing the welfare debate and in linking the role of ideas with institutions. Finally, Hay (2001) mentions the 'ideational institutionalist approach'.

Discursive institutionalism provides insight into a field of political action that has been long neglected because it requires extensive empirical analysis and innovative methodological approaches. In fact, up to now only a small number of political scientists and public policy researchers have tried to theorize and test competing hypotheses regarding the relationship between different institutional contexts and the type of discourse they produce and how this affects policy making. Only recently there has been growing interest regarding the role of discourse in shaping political events. Beland (2009:713) notes that 'this type of theoretical discussion could inform new empirical research about the relationship between ideas, institutions, and policy change. Rethinking this relationship is one of the most central tasks of contemporary policy analysis, within and beyond the institutionalist tradition.'

1.9 Contribution, Methodology and possible different approaches

The model selected in this thesis regarding the way the empirical investigation will proceed attempts primarily to highlight where the two countries - Greece and the Republic of Ireland - stand in relation to the simple-compound polity continuum. This is necessary as the theoretical distinction between simple and compound polities seems to involve countries that appear to be at the opposite ends of the continuum. Hence the institutional framework of the two countries is portrayed through an in-depth examination of the national cases. The case study approach is required and as Ragin (1991:2) notes 'case oriented discourse speaks directly to the events and experiences of cases, abstracting from their histories and their special characteristics and circumstances to draw out their theoretical significance.' Finally, it is necessary to underline that the privatization discourse does not exclusively involve the successful application of the policy, but it also includes public discussions on this matter and even incomplete or unsuccessful privatization attempts.

The model of analysis stems from qualitative research and has been designed to be open enough to do justice to the complexity of the privatization process. In order to present a complete picture of privatization politics and demonstrate what type of relations occur or do not occur, the in depth examination of the privatization discourse produced in the case studies is essential. The objective in this analysis is to place the empirical investigation at the centre of the research and fulfil Flick's (2002:5) principle that 'central criteria in qualitative research are whether findings are grounded in empirical material.' At the case level researchers can make sense of seemingly unrelated phenomena, placing events and processes in context. In fact, case-oriented discourse responds to the experiences of cases as singular entities and is capable of contributing both to the discussion of issues and problems faced by individual cases and to the elaboration of theory. Actually, Smith and Hay (2008:359) support that in order to weigh possible different factors that

explain policy change and divergent paths, a 'detailed cross-country analysis is required...to examine whether particular discursive configurations are conserved between different national contexts... Such research, we suggest, is a logical prerequisite for assessing, causally, the circumstances under which particular discourses are adopted.' As a result a systematic empirical study is undertaken that analyzes general policy discourses across institutional contexts as shaped over the years.

Such an approach contributes not only in terms of the empirical information it presents for the two countries, but more significantly, in terms of focusing on the way privatization has been publicly supported and altered during the policy making processes before, during and even after formal announcements are made. It is helpful because it reveals the national actors' responses in a complex political process, as privatization politics are, and also the different types of discourse they produce across diverse institutional settings.

The examination of each national case is based on political criteria, mainly on shifts of national governments when those denote the modification of the privatization policy and/or discourse of their predecessor. In other words, if a government was reelected and carried on its privatization policy there is no need to open a new chapter as the ideas and discourse most probably remained unchanged. In contrast, if another party or leader, with different ideological standings or an alternative economic programme, was elected to office, then a new chapter may be needed as it may possibly denote a dissimilar privatization approach and/or discourse. This method ensures adequate consistency in terms of description criteria, as most chapters do not examine many different governments, a process that allows safer and more visible conclusions in relation to ideas publicly expressed. Therefore, it enhances comparability and it consequently assists the testing of the sub-hypotheses.

In order to test the hypothesis this thesis concentrates on primary sources. Although primary sources are usually fragmentary, ambiguous and difficult to study and interpret, they offer an original input and provide the research with direct, unmediated information about privatization politics in the two countries. In fact, according to Howarth, Norval and Stavrakakis (2000:4) the foundation of discourse analysis lies in the 'practice of analysing empirical raw materials and information as discursive forms. This means that discourse analysts treat...speeches, reports, manifestos, historical events, interviews, policies, ideas, even organisations and institutions- as 'text' or 'writing'.'

Firstly, the examination of the daily national press since privatization entered the national agenda in Ireland and Greece enables the study to assess the political debate as it occurred during the

period under study. National newspapers provided the research with valuable information about the sequence of events together with a series of statements, press conferences, interviews and reports by actors directly involved in the privatization process. This method enriches the discourse analysis which must combine the presentation of the ideas exchanged publicly between individuals and groups and the interactive discursive processes with those that are responsible for the actual policy-making and its implementation.

Secondly, the research is aided by the extensive examination of parliamentary archives, documentation of acknowledged political foundations, manifestos of political parties, press releases by labour unions and industrialist confederations and even studies and statistical data by international organizations. Such a research process allows for a detailed analysis of the way a whole variety of public and private actors involved with privatization politics reacted during its application. At the same time it delineates the societal evolution in terms of ideas, policies and norms, which in turn illustrates the similarities and differences between the two case studies and as a result helps explain policy making and divergence.

Finally, personal interviews with leading public figures that formed and shaped their national policies were conducted in order to diversify sources, increase the comparability of the data and reinforce the discourse analysis. These interviews are of value since they give the researcher the opportunity to ask direct questions on policy making matters which provide the analysis with their position when they were directly engaged in the privatization process.

Discourse analysis covers a very broad field, may be conducted in numerous ways and by no means is it limited to a one dimensional approach. In this study, the examination of discursive institutionalism exemplifies merely one possible approach. However there are various theoretical models that deal with the nature and form of institutions that could have been applied, under different circumstances, to study the impact and type of discourse in the policy-making process across diverse institutional frameworks.

Another approach dividing countries according to their institutional environment could be grounded according to Lijphart's (1999:3-4) ten characteristics in the 'Patterns of Democracy.' Such a distinction between countries would certainly provide a strong theoretical basis, however it would increase the features under investigation in the domestic discourse and would complicate the analysis which would have to focus on ten characteristics simultaneously. Among other features, some of which are similar to the distinctions Schmidt makes in the simple and compound polity, Lijphart includes the flexible constitutions that can be easier amended versus the rigid ones, systems where legislatures have the final word in their legislation versus those

where legislation is subject to judicial review and even countries where the central banks are dependent on the executive versus respective ones where they are independent.

The theoretical model of discursive institutionalism focuses on the role of political institutions and the type of discourse produced in the policy-making process. Another possible approach analyzing the correlation between the institutional structure and the privatization discourse and its effect on the policy-making process could be based on the theory of varieties of capitalism (VoC). The latter highlights the importance of organized capital and labour to the political economy and states that national political institutions are defined as the rules of the game since they have a formal role and are part of the machinery of the state. Hall and Soskice (2003:249) state that 'political coalitions are central to the process of institutional change and that there may be systematic differences in their complexion across liberal and coordinated economies.' Hall and Soskice (2001:52) argue that 'there are profound institutional differences among the political economies of Europe, on which firms of each nation have come to rely for competitive advantage...This suggests that, despite some significant effects, international negotiations are unlikely to be vehicles for the cross-national institutional convergence that some expect from them.' This study examines the effects of internationalization, due to binding trans-national requirements, and whether it may arm national actors with the necessary impetus for change and equip them with the tools to transform national institutions, shape policies and eventually accomplish steps towards increased convergence.

Schmidt's theory of discursive institutionalism is based on a model of a single continuum where she defines simple and compound polities as two opposite poles. Although the case studies of Greece and the Republic of Ireland fit in rather well in Schmidt's theoretical framework regarding simple and compound polities, this is not the case for many other countries which are not characterized by simple or compound polity features only. Thus there is some ambiguity about the status of countries that combine aspects of both polities, as the situation separating the two poles is blurred and it is not possible to measure the level of simple and compound elements present. However, it is rather applicable to the examination of the privatization discourse, because it narrows down the number of political institutions, as variables under investigations, and makes the realization of conclusions possible.

It is worth noting that the most important limitation of discourse as a method of analysis is the fact that it remains rather imprecise and not specific enough on how it should be carried out. Such a research has the disadvantage that it is difficult to include in the empirical analysis all the facts that influence policy making and it is rather common to unconsciously miss some of it. Moreover, the problem of how to assess qualitative research has not yet been solved. Of course, we should

not forget that as Beck and Bons (2002:3) state 'science no longer produces "absolute truths", which can be uncritically adopted. It furnishes limited offers for interpretation, which reach further than everyday theories but can be used in practice comparatively flexibly.' However, in order to deal with such a concern all of the above mentioned sources are related to each other and triangulated in order to achieve the highest possible degree of precision.

1.10 Conclusion

This thesis initially tests 'discursive institutionalism' as a theoretical framework. It analyzes the relation between national institutional contexts of a polity (simple or compound) and the nature of the domestic discourse it produces and how that affects the policy-making process. It tests this in two different case studies –Greece and the Republic of Ireland-, which possess to a large extent the characteristics of a simple and a compound polity respectively. It puts under extensive empirical examination the argument that simple polities have strong communicative and weak coordinative discourses and similarly that compound polities have strong coordinative and weak communicative discourses. The purpose is not only to recognize the existence of multiple discourses across simple and compound polities, but more importantly to attribute a particular type of discourse depending on the institutional settings within which it takes place. As such, it investigates the central reason employed by national actors in the public discourse to legitimate their privatization programme.

The hypothesis tests the assumption that in simple polities privatization is justified principally on a pro-market ideological basis or an expressed strategic objective. The argumentation is based on the institutional structure of simple polities which promotes majoritarian politics within a polarized political environment that lacks a functional corporate system. National actors publicly state their opinion and struggle to impose it, even if that has a disruptive effect on social, political and economic affairs. Regularly, national governments are unable to obtain sufficient support to perform their unilaterally decided policy plans. Therefore, they systematically attempt to associate privatization with other reasons, either of strategic national importance or even on ideological claims judging that such a linkage would reduce public opposition. Whereas, in compound polities privatization is presented as a socially acceptable managerial adjustment to market needs with minimum references to ideology or strategic objectives. In compound polities, political decisions entail a greater degree of consensus as a result of the coalition politics, the limited polarization and the broad social agreements. Due to the increased level of political and social agreement - even co-decision on some occasions- in the policy-making process, privatization occurs in a pragmatic fashion. National actors largely agree to privatize a particular SOE in order to adjust to the increased market needs due to the changing financial environment or even as a form to self-

finance its further investments. Hence, privatization is dealt on a strict case by case basis depending on the needs of each enterprise and is not the result of an ideological claim or an affiliated strategic reason. By testing this hypothesis, this study attempts to demonstrate that the type and nature of the domestic discourse identified in the two case studies across different time periods is largely dependent on the national institutional settings.

In conclusion, the purpose of this chapter was to describe the hypothesis that will be tested and outline the theoretical framework on which the following empirical analysis is based. In particular, it establishes discursive institutionalism at the centre of the study and describes the methods applied in order to highlight the relationship between diverse cross-national institutional contexts and different discourses. In addition, it briefly assesses the main actors, strategies and methods involved in privatization politics. It also explains the reasons that the selection of the telecoms sector is fitting for the purposes of this study. The second chapter clarifies the reasons that justify the selection of the Republic of Ireland and Greece as the two case studies under examination. Furthermore, the following 6 chapters investigate the domestic privatization discourse in Ireland and Greece in specific chronological time periods, and finally the last chapter analyzes the findings of the thesis.

Chapter 2: Ireland and Greece: Two Most Similar Cases in the '80s with Different Outcomes in the '90s

2. Purpose of Chapter

This chapter aims to establish one main point: despite the fact that after the 1990s Ireland and Greece followed different paths in terms of political, social and economic advancement, until the late 1980s they were regularly characterized as most similar cases. Their dissimilar paths after 1990 are the primary reasons why the two countries make an interesting comparison. In parallel, this chapter acts as the starting point of the empirical presentation but does not test the hypothesis as such. It sets the framework needed for the actual testing of the hypothesis by introducing both the public discourse and the institutional contexts of the two case studies, the Republic of Ireland and Greece. Thus, it reveals the numerous similarities in the political, social and economic institutional environment during the 1980s and argues that they both fulfilled most of the characteristics attributed to a simple polity. It illustrates that not only would it be feasible to identify noteworthy common features in the comparative analysis between the two countries but that it is justifiable to argue that after joining the EU and up until the late 1980s they traced parallel paths and were justly characterized as most similar cases. However, after the late 1980s their status was not the same anymore since Ireland eventually transformed into a compound polity whereas the situation in Greece remained largely unchanged.

2.1 Justifying the selection of the time-frame

In order to test effectively the privatization discourse in the Republic of Ireland and in Greece, it is required to set a chronological boundary in the empirical examination. The thesis examines the response of the key actors involved in the domestic discourse in Ireland and Greece from the moment privatization was introduced in the policy agenda up to the completion of the EMU. However, although the privatization discourse dominates the political affairs in the two countries – mainly in the 1990s- it is necessary to commence the analysis much earlier. As a result, it begins in the 1970s in order to build up the general picture of the institutional context, the ideological positioning of the main political parties and actors, the macroeconomic figures and the overall developments in the political sphere before privatization entered the policy agenda.

At the same time, the testing of the hypothesis is concluded with the completion of the EMU because it symbolizes a historic development in European politics which exerted similar policy effects on its members. The common ending point for both case studies is necessary because the privatization pace varied across EU member states. The examination of the two case studies

in different chronological periods would create additional methodological difficulties. Different variables, such as the effect of the international developments, the condition of the international markets and the global economy would not be able to be evenly measured in each one of the case studies. In fact, all of the above could potentially shape the domestic discourse in transformative policy changes like privatization. Therefore, during the testing of the hypothesis the international aspect of the analysis would not be equally tested and it would lead to less valid conclusions regarding the comparative domestic discourse. As a result, the completion of the EMU was set as the final point of the empirical examination.

2.2 Ireland and Greece: Parallel paths in the 1980s

When the Republic of Ireland and Greece joined the EEC in 1973 and 1981 respectively, they were the poorest member states.⁷ Up to the late 1980s both countries were hampered by an underperforming economy and a troubled political system. Governments in the two countries followed ineffective economic planning, expansionist fiscal policies which resulted in excessive budget deficits, growing public debts, rising inflation but also inefficient and unprofitable SOEs. In addition, both countries were involved in troublesome political situations characterized by short-lived governments, continuous electoral contests within short time periods⁸ and a profound inability to achieve political and social consensus. Unsurprisingly, in both countries there was an admission of the failed economic policies of the 1980s which made it clear that only drastic and innovative measures were needed to bring them out of the political deadlock and revitalize their national economies.

During the first years of their EU membership, not only did the two countries begin from a similar starting position, almost parallel, but it would be valid to claim that both fitted well in the simple polity model. Such an assumption is verified as Ireland and Greece were characterized by a principally unitary institutional structure, lacked an organized corporatist system in the policy formulation and implementation processes and finally featured a polarized political system that promoted single party governments and turned down coalitions.

The lack of a functioning corporatist system describes aptly the pattern of interest mediation in the two countries during the 1980s. In the past decades there has been increased interest in analyzing different institutional structures regarding the method with which governments have

⁷ Greece, Ireland, Spain and Portugal composed the '4 cohesion countries', which needed increased community funds so as to adjust to the challenges of the single market.

⁸ In Ireland there were three general elections within 15 months (June 11, 1981, February 18, 1982, November 24, 1982) similarly in Greece (June 18, 1989, November 5, 1989, April 8, 1990).

applied important transformative policy changes. In some cases they have been the result of government imposing its policies over societal group resistance such as organized labour (simple politics), whereas in others they have incorporated them in the policy-making process (compound polity). Hancke (2003) argues that 'by the end of the 1990s labour relations in Western European countries converged on two very different poles: one where organized labour continued to play an important role in organization of the economy, and another which was highly hostile to organized labour.'

In Greece, historically, the lack of a corporatist system which would integrate interest groups in the policy-making process traditionally limited the role of the social dialogue to a restricted form dealing only with the issue of wages. Labour unions functioned within a polarized political environment and maintained a party-political identity which fragmented them internally and encouraged the prevailing confrontational style of politics, regularly expressed through mass protests and strikes. The weakness of the labour movement to organize itself independently of political parties led them, in many cases, to act more as the extension of the political parties with which they were affiliated rather than as a unified collective body. As Spourdalakis (1998: 210) notes, with reference to Greece under the PASOK governments⁹ in the 1980s, 'clientelistic relations lost their personalized character, but resurfaced through the party structure and activity. An important aspect of politicisation has been associated with the implications of party politics for interest representation: it has been suggested that parties have colonised interest groups.' In contrast, business interests were always predominantly organized along sectional lines and were more independent from the state. Although, many of the big businesses in Greece did not participate in the formal employer confederations, once an agreement was reached between the unions and the employers, all of them were obliged by law to accept the agreements and put them into practice.

As a result, Lavdas notes (2005:311) that Greece falls under the category of 'disjointed corporatism and argues that 'the limited nature of the social dialogue in Greece implies the reproduction of a pattern of power relations which relied on a specific system of relations between political institutions and interest groups: a system marked by weak state capacities and asymmetrical penetration of state structures by various interests. The politics of stalled social dialogue reflect the combined difficulties in building less porous political institutions and extending

⁹ Most Presidents of GSEE in the 1980s and 1990s were eventually candidates in the general elections with PASOK. Characteristically, attempting to disengage himself from party politics when Christos Polizogopoulos was elected President of GSEE in 1996 he noted (Vima:06.10.1996) that 'I am the president of GSEE and not an employee of a political party. This is something that both friends and enemies should keep in mind.'

the Europeanising strategy¹⁰ to further areas. The Greek system of interest intermediation, with its combination of asymmetrically statist historical legacies, comprehensive but internally fragmented interest structures, resistance to extending negotiations in the direction of social pacts, and party-political influences, has been a case of 'disjointed corporatism.'

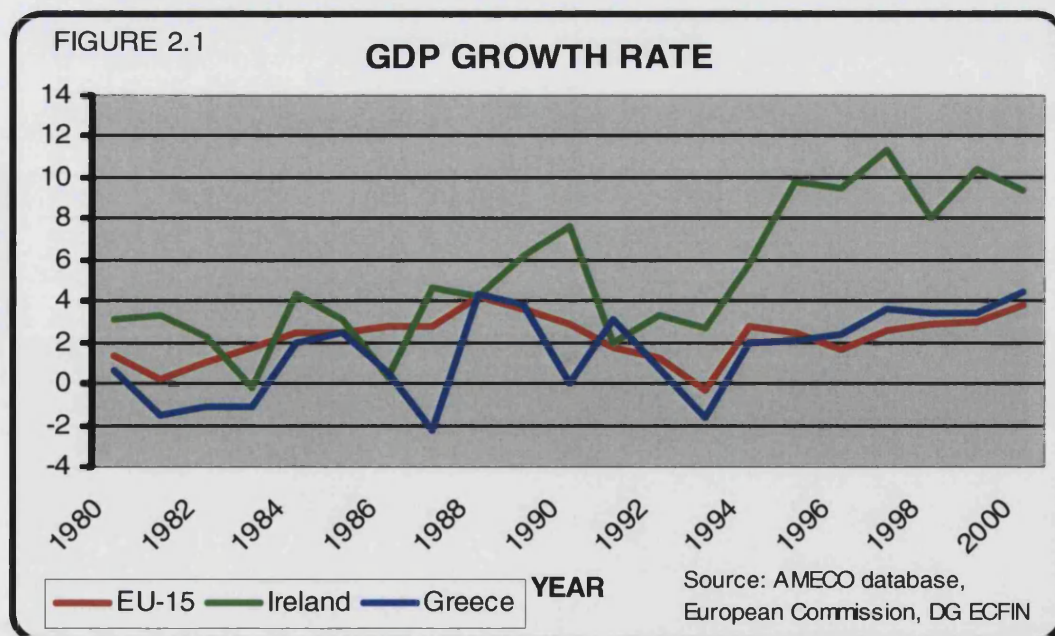
The situation in Ireland was not much different during the 1980s, since corporatist policies were largely nonexistent as the interest groups were excluded from the political and economic processes. However, the politicization of the labour movement was not as intense as it was in Greece, although there was a formal Labour Party which claimed to represent the labour movement. The effects of the economic crisis during the late 1970s and the political instability in Ireland in the early 1980s led successive governments to abandon the negotiations with the trade union movements, although as Taylor comments (2002:38-39), the latter were pressing the governments to 'restructure the nature of pay negotiations, placing them within an integrated setting which would take full cognisance of tax reforms and job creation.' In fact, as Murphy notes (2005:359) 'Ireland had a tradition of tripartite consultations in the public sphere since the early 1960s. It was during this era that the economic interests (farmers, trade unions and business associations) were invited to participate in the work of a number of national bodies who were concerned with formulating a new approach to economic management...In the 1970s, however, the focus of state policy shifted; corporatist policies in the economic sphere were dropped and the process was no longer directly aided by government financial support.' As a result, similar to Greece, the 1980s signalled an era where corporatist practices were absent from the Irish polity.

However, in Ireland an institutional metamorphosis occurred in the late 1980s changing the political environment, including the establishment of an innovative corporatist system. McGraw (2008:628) notes that 'few countries have experienced such dramatic changes as those of the Republic of Ireland from the late 1980s onward, when it was catapulted – within a span of less than a generation – from one of the poorest to one of the wealthiest countries in Europe. This unprecedented transformation invites a closer look at the complex interactions among change at the social, economic and political levels...In this period of accelerated transition, Ireland's political institutions have been evolving, encompassing integration into the European Union since 1973, the articulation of a broadly inclusive social partnership programme since 1987, breakthroughs in the Northern Ireland Peace Process in the 1990s, and the emergence of persistent coalition

¹⁰ According to (Bieling 2001: 107). 'European trade unions have agreed to a new 'competitive bargain', which is asymmetrical but which gives them the opportunity to get involved in negotiations about 'the concrete realisation and political framing' of the economic policy goals.'

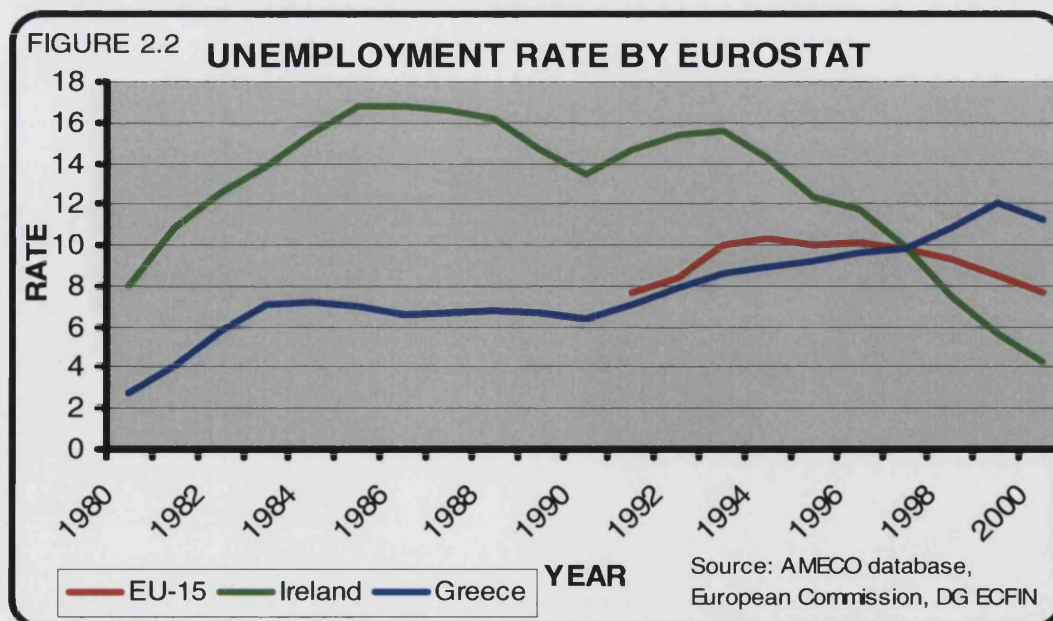
politics. This 'New Ireland' is characterised by a litany of change.' In contrast, similar developments did not take place in Greece where the situation remained largely unchanged.

Nowadays, European paths of the two countries are being described as largely antithetical as Ireland has been considered the success story whereas Greece has been portrayed to a certain extent as a problematic member state. Characteristically, before the fifth EU enlargement Ekiert and Moravcsik (Newsweek:10-05-04) argued 'that while the economic benefits of joining the EU are clear, the longer-term consequences for capitalism and democracy are less so. Two decades from now, will the EU's new members look more like Ireland –or more like troubled Greece? All we know now is this: if reforms fail or voters revolt, it won't just be a national problem, but a European one.' Similarly, in 1988 the Economist (16-10-04:3) published a survey on Ireland under the title 'Poorest of the Rich'. Sixteen years later, in 2004, the Economist published a new survey on Ireland and started its analysis by commenting that 'surely no other country in the rich world has seen its image change so fast...many rich countries, not least Ireland's sclerotic neighbours in western Europe, would love to achieve a similar change of image. The eight central European countries that joined the European Union in May 2004 seemed fascinated by Ireland...Ireland's leap from one of the EU's poorest members in the 1980s into one of its richest. They all promise that they will make good use of the [EU] money, as Ireland did, and avoid the fate of Greece, which in the 1980s was not far behind Ireland but has since been left standing.'



As a matter of fact, despite the similar beginnings between Ireland and Greece in their first years of membership, their different outcomes have been regularly recognized by successive Greek prime-ministers. In 1998 the Greek PM Costas Simitis (Simitis:02-06-98) argued that 'we must

follow the example of Ireland in our economic policy and achieve similar growth rates in our national economy' (figure 2.1). Similarly, Costas Karamanlis (Karamanlis:26-02-06) stated in 2006 that 'Greece should follow the example of Ireland. Two and a half decades ago [1980s] Ireland was in an analogous situation to the one that Greece was. The public debt was increasing, the deficits were growing, the national economy's competitiveness was shrinking, unemployment was increasing and the trade unions were defending those that were already in employment while they were disregarding those who were searching for a job, but were unable to find one. At that time, the government, the political parties and the trade unions took a historic decision. They agreed to deal with the problems with boldness to look forward and unite their powers. A new era started for Ireland, one where politics were based on agreement and unity of forces all under the auspices of a national reform strategy. The result? They achieved within a decade to increase the GDP per capita by approximately 50% and decrease unemployment from 14,5% in 1994 to 4,5% in 2003 (figure 2.2). The conclusion is obvious. With a bold political plan and a reform strategy based on social awareness from all sides, solutions are given to complicated socioeconomic problems. That is what the Greek citizens expect from us to perform as well.' Moreover, the Irish Taoiseach Bertie Ahern (1997-2008) has repeatedly confirmed the critical role that EU membership has played in the country's metamorphosis and the fact that Ireland is considered an example that many countries want to follow. Ahern (2004:95) stated that 'membership of the EU has been central to Ireland's interests for the last thirty years. We are seen by many as the shining example of how membership can benefit a small, peripheral, underdeveloped country. We have successfully integrated our economy, our currency and many other aspects of our lives with our European partners.'



This thesis pairs Ireland and Greece and considers them across different chronological periods. It does so primarily by distinguishing between the institutional layouts in the two countries and eventually examines whether the discourse differs depending on the institutional context on which it is performed. However, in order to examine the privatization discourse in the two countries and its correlation to the institutional context –that is simple and compound polities- it is essential to assess the evolution of the institutional arrangements since they joined the union. Such an approach aims to structure the case studies and as a result organize the testing of the hypothesis as it identifies and consequently substantiates where each of the two countries fit in the distinction between simple and compound polities, before the national discussion concerning the telecoms privatization was publicly enacted. Moreover, this is a vital procedure as it refutes arguments that either of the two countries possessed a traditional natural pre-disposition in performing difficult public policy reforms such as privatization.

2.3 Ideological standings of Irish political parties

In Ireland, unlike Greece and most other European countries, the political landscape has not been stamped by a clear left and right division between the two main parties. As a result, the domestic discourse was not characterized by equivalent ideological disputes, polarizing the two largest parties on issues of economic policy. In fact, the central issue separating the two main Irish political parties Fianna Fail (FF) and Fine Gael (FG) originates from the stance they held with regard to the 1921 Anglo-Irish Treaty. Both of them descended from factions of the original Sinn Féin, but during the great national split in the 1922-1923 Civil War, FF argued against the Anglo-Irish Treaty whereas FG supported it. This enduring characteristic of the Irish party system is sometimes pejoratively referred to as 'Civil War politics'.

The two largest Irish political parties do not have a clear ideological line separating the one from the other in terms of economic and social policy. Characteristically, Mair and Weeks (2005:136) state that 'the Irish party system is not structured on an unequivocal left-right social cleavage. The two main parties Fianna Fail and Fine Gael, tend to converge around the centre of the ideological spectrum, often crossing sides between centre-left and centre-right, or occupying both simultaneously. This can result in the policy differences between them being indistinct and vague, such that it can at times be difficult to clarify what distinguishes one from another, much like Tweedledum and Tweedledee.'

Ever since the first elections of the 'Irish Free State' in 1937, Irish political affairs have been dominated by the presence of one political party, FF. FF has constantly received the largest

percentage of votes and seats. McGraw (2008:631-632) underlines that 'Fianna Fail represents the paradigmatic catch-all party...It has also been the freest to shift its policies to accommodate evolving voter interests. This ability to adapt its ideological position has strengthened Fianna Fail's hold on the centre during the coalition era as it is well positioned to form coalitions with virtually any party, except, of course, Fine Gael. It is this set of characteristics that has enabled Fianna Fail to be one of Europe's most successful parties in terms of electoral support over the past 70 years.'

This has led Mair and Weeks (2005:144) to acknowledge that 'the single most important element in determining the development of the Irish party system has been the persistently dominant position of FF.' Actually, until 1973 FF had established its electoral supremacy as it had sat on the opposition benches only on two occasions. In terms of parliamentary politics in the Dail it had practically divided the party system between FF on the one side and all the remaining parties on the other. This is verified by the fact that FF was the only political party which was continuously capable of determining the structure of the government. Historically, when the party won a majority in the Dail it would govern alone; if it failed to secure the appropriate number of seats to form a majority then it would either opt for a minority single party government¹¹ or it would go into the opposition¹². However, the last general election which allowed FF to form a single party majority government was in 1977 and ever since it has been unable to repeat it.

Besides the dominant position that FF holds, FG has persistently retained the second position in terms of votes and seats in the Dail.¹³ FG has not acted as the typical opposition party, which presents itself as an alternative to the government since it has never had the chance to solely determine the government's composition. In effect FG acted only as the opposite pole to FF, and aimed to attract the support of all the remaining parties in the Dail in order to form a coalition government, only in the case that FF had failed to obtain a parliamentary majority. Hansen (2009:43) argues that it is 'interesting in the Irish case...that government and opposition are synonymous with Fianna Fail and Fine Gael. The two parties have never sat in government

¹¹ 1951, 1961, March 1982 and 1987

¹² 1948, 1954, 1973, 1981 and December 1982

¹³ FF's dominance in Irish politics is not the product of an electoral system or the absence of other political parties, but it has -for European standards- enjoyed justifiably an almost unprecedented success over time. Ireland has had the same electoral system from the foundation of the state although the number of political parties has largely fluctuated over periods, but both FF and FG have been stabilized as the largest and second largest parties respectively. In fact, the influence and support that FF has enjoyed over the years is not the result of a disproportionate electoral system. Gallagher (2005:118) notes that since 'PR-STV in Ireland delivers a high degree of proportionality, virtually as high as that produced by electoral systems that have the achievement of proportionality as their sole aim.'

together and the conflict between them has not changed in the nearly 70 years since the adoption of the 1937 constitution.'

The ideological convergence between the two main political parties was triumphantly exemplified in the early 1970s regarding the question whether Ireland should apply for EU membership. In contrast to Greece, this was not a point of dispute between the leading Irish political parties. Actually politicians of FF and FG found themselves arguing on the same side, as both parties were ardent supporters of joining the EU since they believed that membership would serve a double objective. First of all the Anglo-Irish relations would be placed within a much broader multilateral context. This would assist Ireland to disassociate its economy from British dependence. Dinan (1994:67) argues that 'Ireland's economic fortunes were tied to those of Britain. It would have been absurd economically for Ireland to stay outside the EC once Britain went in.' Secondly, it gave her the opportunity to sell its goods to a large, liberalized European market which was considered to be an alternative to the respective British market. Additionally, the Irish economy would receive many benefits through the CAP since it was mostly based on agriculture. Therefore EU entrance was very appealing to the agriculturally based economy which offered Ireland a set of benefits including favourable participation in the CAP and simultaneously would release resources that could be used for other purposes.

In contrast, those who opposed membership, including the Labour party, which was a devoted supporter of major expansion of the public sector and Sinn Fein claimed that such a development would lead to massive loss of employment and rapid increase in farm prices due to CAP membership. Begg (2004:44) comments that the Labour Senator Fintan Kennedy published a paper entitled 'Economic Freedom' which 'comprehensively analysed the economic implications of EEC membership. It presented detailed data on production and employment in individual sectors. It vigorously promoted the view that there were viable alternatives to EEC membership and focused on the cost of living increases that EEC membership would inevitably bring with it.' On a similar note, the annual delegate conference of the Irish Congress of Trade Unions (ICTU) had stated in July 1971 its serious concern with all the aspects of the proposed EU accession.

Apart from the economic arguments there were also sentimental statements made by Irish politicians concerning cultural and geographic reasons supporting membership. More specifically, when Ireland first applied for membership the FF Taoiseach (1959-1966) Sean Lemass (in Ahern 2004:97) stated that 'Ireland belongs to Europe by history, tradition and sentiment no less than by geography.' Similarly his successor as Taoiseach (1966-1973) and leader of FF Jack Lynch (in Ahern 2004:95) quoted 'not being part of Europe is unthinkable. It is... like the choice faced by Robinson Crusoe when the ship came to bring him back into the world again.' As a result of the

support of both FF and FG the referendum deciding whether Ireland should join the EU on the 10th of May 1972 registered strong support for membership, since 83% of the voters endorsed accession.

Taking into account that the two main political parties did not have great ideological differences and that both favoured EU membership, that theoretically ensured that Ireland's adjustment to the Community needs and responsibilities would be rather smooth. This is based on the assumption that either of the parties being in power there would not be any dramatic shifts in economic policy. Yet, despite the political agreement between FF and FG in terms of ideological beliefs and in relation to EU membership, the 1980s were characterized by an unprecedented political and economic crisis in the domestic arena which threatened not only to shake the political system, but endangered the future economic prosperity of the country.

The ideological rapport between the two main political parties in the 1980s created a vacuum for a new party based on a neo-liberal platform. As a result, on the 21st of December, 1985 a group of liberal TDs led by the former FF minister Desmond O'Malley,¹⁴ Mary Harney and Michael McDowell formed a new political party, the Progressive Democrats (PD). The PD evolved from politicians of the traditional Civil War parties, but from the very start attempted to disassociate itself from Civil War politics and turn the agenda to economic issues and mostly on the need to achieve prudent financial management. In his foundation address, O'Malley (PD:website) noted that 'the national morale is at an all time low we are committed to break the moulds of Irish politics and give the Irish voters a new and real alternative to the Civil War parties dominating Irish politics.' Therefore when their ideological stigma was set down, at the party's first National Conference in May 1986, it was declared that their 'policy priorities in the economic area are to boost enterprise and employment by reducing the role of the state through cutting taxation, public expenditure and state borrowings, and also to commercialise various state enterprises and services.'

Thus, for the first time in Irish politics, a party publicly stated the need to implement a series of privatizations. In fact, the PD's programme included a broad 'public service reform including government departments, the legislature, the local government system and fewer TDs, local authority housing stock to be sold to occupiers on attractive terms [and] privatisation proceeds to be reserved exclusively to reduce debt burden, to improve efficiency in the delivery of public services and to reduce calls on the state to capitalise.' Before the 1987 elections, O'Malley (PD:website) urged the electorate to support the PD in their effort to transform Irish politics and

¹⁴ In the previous years O'Malley had unsuccessfully challenged Charles Haughey for the FF leadership.

stated that there was 'a great consensus in Ireland which favours fundamental tax reform, which favours enterprise and I call on people, particularly young people, to join us in building a new progressive democratic force in Irish politics.'

2.4 Ideological standings of Greek political parties

Ever since the reestablishment of democracy in 1974 and up until the mid 1990s there were two vital ideological differences separating the two main political parties: Nea Dimokratia (ND) and the Pan-Hellenic Socialist Movement (PASOK). The first one dealt with the international status of the country and whether Greece should join the EU and NATO and the second largely concerned the dispute of liberalism versus socialism. Both debates were intense and polarized the political and social climate to a great extent that would last until the mid 1990s.

From the moment the two new political parties were founded in 1974, the debate concerning prospective community membership arose as one of the most divisive issues drawing a line between their leaders. ND's founder Konstantinos Karamanlis was a genuine supporter of an economically and politically united Europe and immediately made it clear that ND was a political party with an unambiguous European orientation. This was verified by the party's founding manifesto (ND:04-10-74) which declared that 'ND believes that Greece not only has the right, but can actually safeguard the pride and the happiness of the people, within Europe, where it belongs, if it makes sure to mobilize all the competence and virtues of its people. Independently of its size, Greece's cultural heritage, the Hellenic aura and the spirit of the Greek people can assist Europe politically, ethically and culturally in order to complete the European union.' In contrast, PASOK's ideological position was to directly oppose EU and NATO membership. This was clearly outlined in its founding manifesto (PASOK:03-09-74) which proclaimed that 'Greece should withdraw from NATO... Greece should detach itself from any military, political and economic alliances that undermine our national independence and the right of the Greek citizens to decide for themselves concerning social, economic and cultural aspects of life.'

Regarding economic policy, ND underlined the importance of competition and coexistence of the public and private sectors and was committed to liberalize certain state monopolies. The party's manifesto made it clear that 'a liberalized market in which ND has faith does not exclude the economic enlargement of the sectors controlled by the state. In addition, the private initiatives cannot be justified without the parallel participation of the wider social classes in the allocation of the national product.' PASOK was a political party that advocated socialist ideals and aimed at representing the under-privileged Greek citizen. Characteristically, its manifesto (PASOK:03-09-74) favoured 'the socialization of the financial system in all possible aspects including the means

of production and also the imports and exports of trade...we will socialize the property of the monasteries...we will abolish private education...we will abolish private healthcare.' In short, as Lyrintzis (2005:244) underlines 'the Greek political parties, as in the case in other European countries, used the Left-Right divide as a means to create and promote a political identity, and its content was manipulated according to the exigencies of the political conjuncture.'

Due to the two successive electoral victories of Karamanlis' ND in the 1974 and 1977 elections, the debate on Europe tilted toward the direction the ND governments set. In fact, after the 1974 elections, PM Karamanlis pointed out that membership to the EU was the primary goal of his government, mainly for reasons of safeguarding the democratic consolidation. He regarded that membership would sustain Greek interests within a powerful democratic economic community. More importantly, his diplomatic manoeuvres achieved the early conclusion of the accession agreement which was signed in May 1979. PASOK criticized the government and described EU membership as the means of surrendering Greek interests to the objectives set by the unwanted foreign powers. At the same time despite the liberal character of his governments' economic policy, in the name of democratic consolidation, Karamanlis insisted that the state should regain the control of certain crucial sectors of the national economy and therefore proceeded with a wave of nationalizations. These included Olympic Airways (OA)¹⁵, Greek Electrical Railways, Refineries and the Commercial Bank.

Two very important political developments which eventually proved to be conflicting sparked change in the Greek political arena in 1981. First of all Greece became the 10th member of the EU. Indeed, Greece's future partners did not accept her application with much warmth as the Commission had advised the Council not to accept the application on economic grounds. Secondly, Andreas Papandreou's charismatic personality, his well-known family name¹⁶ and socialist language made him the only alternative to a ND government leading his party to the electoral landslide of the 1981 general elections.

The combination of Greece having entered the EU and Papandreou's lack of eagerness to adjust to EU policies led to a troublesome relationship between the EU and Greece during the 1980s. Papandreou, who had opposed membership found himself within the European Council. He had repeatedly argued that Greece should disengage itself from foreign alliances that alter the Greek national interests in favour of the foreign powers. Veremis and Koliopoulos (2003:19) underline that 'the functional relationship between Greece and its Western allies was challenged by the

¹⁵ The nationalization of OA in 1975, previously owned by Aristotle Onassis, was one of the most famous nationalizations performed by the government.

¹⁶ His father Georgios Papandreou served as PM during the 1940s and 1960s.

advent of the Socialists in power. The anti-Western undertones in PASOK's pronouncements, after three decades of almost uninterrupted official loyalty to the US and the European allies, partly reflected the sentiments of those that had been excluded from public life due to their left-wing affiliations. It also reflected widespread disappointment with the West's failure to censure the military junta between 1967-1974.'

However, Papandreou's radicalism receded and several conflicting issues, especially regarding the international status of the country and withdrawal from the EU, were gradually abandoned. The same though did not happen with the public economic policy. The new PASOK government was not willing to adjust its economic policy according to the EU set objectives. While EU member states were at least attempting to decrease inflation and public debts, liberalize their markets and increase their growth rates, the Greek government was steadily producing budget deficits, increasing public debt and achieving very low growth rates.

It was repeatedly emphasized by Papandreou that the Greek economy should change in order to serve national interests, not international. Thus PASOK was pursuing an economic model, trying to protect and even extend state monopolies and aimed to ensure that certain key sectors of the economy would be exclusively and absolutely under state control and ownership. The government laid emphasis on two aspects: nationalization and socialization. In terms of the nationalization programme the most significant measure took place in 1983 when the government established the Industrial Reconstruction Organization (OAE) as a state owned holding company in order to deal with 44 large but financially problematic private companies. The initial aim of OAE was to reconstruct the problematic companies and make them financially viable. However, as the years passed the number of companies held by OAE more than doubled without being restructured and their debts multiplied creating massive fiscal and budgetary shortages and enlarging the public debt.

At the same time, the adoption of framework law 1365/1983 introduced socialization as a term which aimed to reform the status and the form of certain SOEs. According to law 1365/1983 socialization was defined as 'the participation in administration, policymaking, programming and the control of the company by state representatives, local government, employees of the company and social vehicles and organizations that are served or influenced directly by such companies.' The government claimed that this policy would greatly assist in saving economic resources, increasing industrial productivity and labour efficiency. At the same time, the SOEs would harmonize their objectives according to the national, regional and local interests. Hence, it would lead to economic development and would benefit society. In 1985 the minister of National

Economy Costas Simitis¹⁷ (Simitis:30-08-86) added that 'this law considers socialization as the means to deal with serious structural problems of the public domain and help improve the services offered to society. On the other hand, as an end in itself it manages to achieve the direct participation of the employees and other social vehicles in the social control of the company and even the participation in keynote decisions. We believe that this law will help reform the public sphere and this will only be achieved with democratization which will take place through creation and development of participatory institutions.' Among the SOEs that PASOK intended to socialize were the telecoms OTE, the public power corporation DEH, and the national rail OSE. However, socialization as defined by the government was never put into actual practice.

As a result of the government's economic policy, by 1989, a chaotic in size and efficiency public economic sphere had been formed distinguished by a large, ill coordinated and inefficient state. It is characteristic that before the 1989 elections PM Papandreou publicly invited the Economics minister Dimitrios Tsovolas to distribute all of the available economic resources to the people, a comment verifying the lack of willingness to execute a stabilization programme. Thus it is no surprise that Greece, under Papandreou was regularly characterized as the 'awkward member' (Papadopoulos:2004) or the 'political and economic black sheep of the EU.' (International Herald Tribune:13-01-99) Dinan (1994:83) argues that 'if the EC could have foreseen the problems that Greek membership would pose in the 1980s and early 1990s during the rule of Andreas Papandreou's anti-EC governments, the accession negotiations might not have concluded so swiftly, if at all.'

At the same time, after the second consecutive electoral defeat by PASOK in 1985, the leader of ND Constantine Mitsotakis underlined that his party would win the next elections only if it convinced the public that it had been transformed into a modern European political party with a manifest neo-liberal economic agenda. As a result in June 1987 ND presented its new economic programme which was not only deliberately harmonized with the EU objectives, but was actually built around them.

The party established as its number one priority the country's effective preparation for the single market. ND stressed that it was whole-heartedly in favour of the single market and considered adjustment to the EU requirements and legislation as the only way forward in order to modernize the public sector and improve the national economy. This was spelled out clearly in the party programme (ND 1987:14) which outlined that 'the Single European Act has opened the way for

¹⁷ Simitis was appointed minister of National Economy in 1985-1987. Contrary to Papandreou he personally believed that the Greek macroeconomic policy should adjust to the European objectives and attempted to perform a stabilization programme during his tenure. However, he eventually disagreed with Papandreou and was forced to resign.

the completion of the European internal market. In a few years' time it will be impossible to maintain institutions that are anachronistic and non-productive...The vision of 1992, which Greece has also espoused, is a truth and therefore ND has incorporated in a harmonious and consistent manner all the necessary measures, institutional and others, so that the country may live up to the great challenge. Under these historical conditions, the Greek economy must regain satisfactory growth rates. This can only be achieved with the spread of the means of production and with the encouragement of private investments in all sectors of the economy and more specifically in industry, manufacture and services.'

More importantly, ND was the first Greek political party to incorporate privatization in its manifesto, considering it as the most appropriate method to improve SOEs' governance. The party's economic programme justified the adoption of privatization on ideological reasons which were directly associated with EU developments. As a matter of fact it explicitly linked privatization with the EU single market by stating (ND 1987:18) that 'the recent international developments and more specifically the European challenge that is embodied in the Single European Act makes it our duty, not only to put emphasis on the institutions of a free market economy, but to adopt with courage and the strong sense of duty to the future of our country the policy of privatization.' In other words, ND not only argued that privatization was the most suitable means to modernize SOEs but formally legitimized it in its economic programme in the name of European integration.

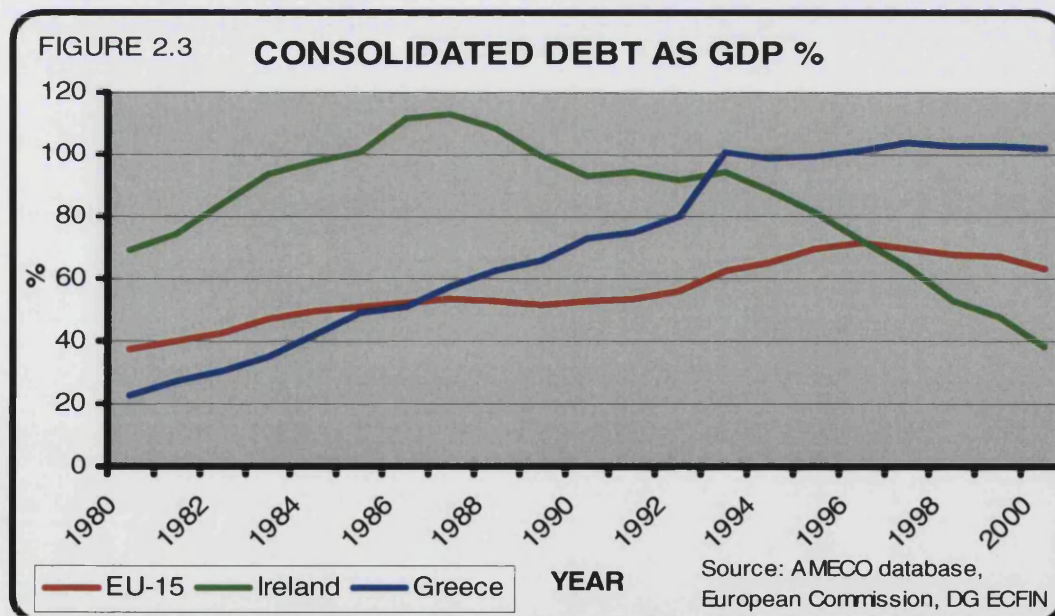
The neo-liberal, European inspired strategy incorporated by the party helped to serve a triple goal. Firstly, it presented the Greek public with an alternative ideological foundation to help modernize the unproductive public sector in contrast to the socialist model advocated by PASOK. Secondly it provided ND with the necessary macroeconomic policies, tools and the required external discipline for the adoption of internal austerity reforms. And finally, as ND directly linked neo-liberalism with the single market, it was regarded as being a part of a pan-European initiative based on common principles and objectives and not solely on a domestic policy decision which sought to accomplish short-term political benefits.

2.5 Political and Economic mismanagement in Ireland

The Irish political scene up until 1987 was profoundly dominated by a polarized environment. Not only was there a troublesome political system where hung parliaments led to weak, inefficient and short-lived governments, but even the coalitions formed were coalitions of convenience, as their members had little ideological concurrence regarding the direction of economic policy. Moreover, there was a long-lasting absence of an effective corporatist system which would involve multiple actors in the policy process. Labour unions and other interest groups were constantly under-

represented in the policy formulation process as they were systematically excluded from it. In other words, after joining the EU and until 1987, Ireland had undeniably most of the features attributed to simple polities.

Irish governments in the 1970s and 1980s systematically adopted policies of heavy borrowing in order to achieve higher growth rates. The immediate result was the constant expansion of the budget deficits and the rapid increase of the public debt (figure 2.3). In January 1980 the FF Taoiseach Charles Haughey (IT:13-06-06) outlined in a television address the bleak economic picture stating that 'we have been living away beyond our means. We have been living at a rate which is just not justified by the amounts of goods and services we have been producing. To make up the difference we have been borrowing enormous amounts of money, borrowing at a rate which just can't continue.' Although Haughey had acknowledged the problem of borrowing, he did not present an alternative policy as being the most appropriate way to address the fiscal crisis. In fact his government, rather than cutting expenditure, did the exact opposite of what he had previously advocated and further increased public spending to such an extent that soon it was out of control and led to additional borrowing and extensive taxation.



As FF failed to deal effectively with the economic crisis, FG was successful in achieving the best set of election results in its history in the 1981 election. The FG leader Garret FitzGerald, formed a minority coalition government with the Labour Party and the support of a number of independent TDs. FitzGerald wanted to stabilize the national economy and soon realized that he

had to abandon any plans for tax-cuts. As the economic crisis was deteriorating, FitzGerald's coalition government was proving that it was unready to deal with the problems of the national economy. In July the Finance Minister, John Bruton, presented an exceptionally austere budget which aimed to control public expenditure and reduce deficits. However, the coalition partners were not ready to approve such a budget and the government was forced to back down while the country was led once more to an electoral contest. In fact, the FG-Labour coalition lasted only for 252 days becoming the shortest-lived government in modern Irish history.

The political uncertainty was not solved, but was actually extended after the general elections of the 18th of February 1982. FG lost only two seats, but they were enough to keep the party out of office. Haughey's FF returned to power with a minority government. The FF 1982 government was destined to collapse eventually and was able to stay in power for only 279 days lasting less than ten months. For the third time in 17 months another general election was called in which the prospect of a hung parliament was more than certain.

After the November 1982 elections a new coalition government between FG and Labour was formed.¹⁸ The primary concern of the government was to deal effectively with the deep economic recession and to control public finances. One of the main priorities was the country's rising budget deficit which FG was determined to reduce by significantly decreasing government expenditure and by increasing taxation. However, after the collapse of the previous coalition between FG and Labour, this time FitzGerald was ready to repeat the scheme without the need to negotiate and bargain with independent TDs but exclusively with the Labour party.

The FG-led government argued that it would restructure SOEs in order to improve their economic efficiency. As a result, the 1984 Government White Paper (1984:67) on the economy suggested that SOE policy should give 'primary emphasis...on commercial viability and profits.' One important development in that direction was the establishment of two separate companies for telecoms and postal services respectively, through the 1983 Postal and Telecommunications Services Act. This was a major first step forward for the independence of both sectors from strict government control and it created Telecom Eireann (TE). However, TE was not granted complete autonomy as the Act stated that 'the company shall have power to do anything which appears to it to be requisite, advantageous or incidental to, or which appears to it to facilitate, either directly or indirectly, the performance by it of its functions.'¹⁹

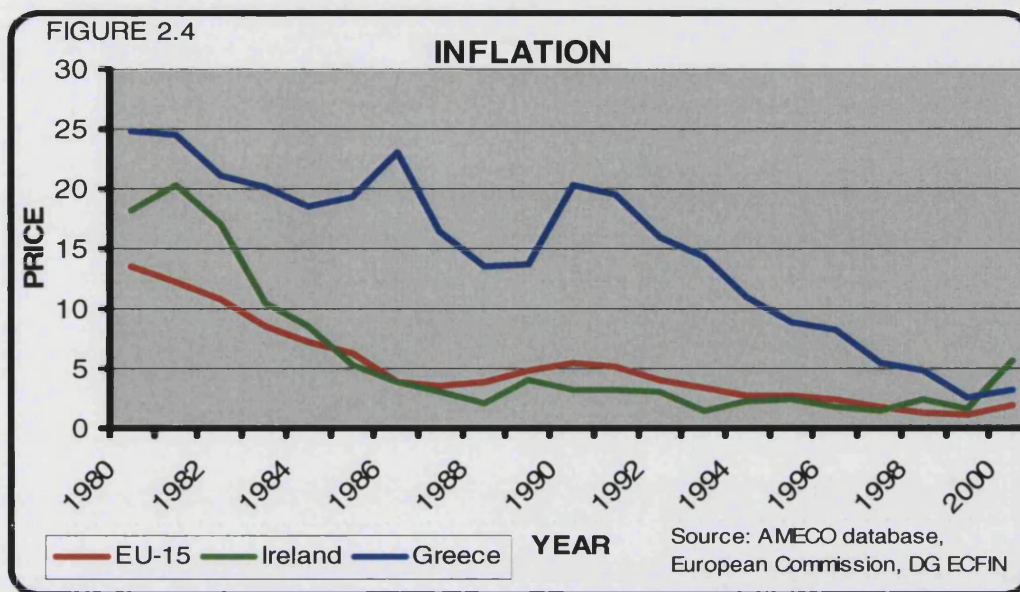
¹⁸ Remarkably, FG almost accomplished to dislocate FF from its traditionally dominant position within the party system since it held only five seats fewer than FF which is their closest margin ever. This was an unprecedented achievement if we consider the fact that FF usually retained nearly twice as many seats in the Dail.

¹⁹ Postal and Telecommunications Services Act, 1983, Article 14, Paragraph 2.

During that period the thrust of SOE policy in Ireland was placed on commercialization. This was affirmed with the recommendations made by the National Planning Board's 'Proposals for Plan 1984–87' and the Government's White Paper on Industrial Policy, both published in 1984. As Reeves and Palcic (2004:529) outline 'the principal measures adopted to improve the commercial performance of the sector were labour shedding and the closure of plants and enterprises.' This policy signalled the government's new approach toward unviable SOEs. This meant that they would be immediately shut down since they burdened the budget. Sweeney (2004:539) has calculated that the number of SOE employees 'between 1980 and 1990 was reduced by 24%...Three SOEs were put into liquidation in the mid-1980s and a number of individual plants were closed down on the grounds that they were not commercially viable.' Despite the improvement in the financial performance of some SOEs, commercialization did not enjoy the overall success that was expected, because it was not sufficient on its own to decrease the loss-making status of the public sector.

In order to control public spending and reduce budget deficits, the government proclaimed the necessity to adopt additional measures such as the imposition of cutbacks. The measures proposed by FitzGerald's Finance Minister, Alan Dukes, were completely unacceptable to the Labour party which was under enormous pressure from its electoral base, including a large fraction of the unions, to maintain public services unchanged. The pursuit of fiscal rectitude, in order to reduce the budget deficit and public debt, required a firmer control of government spending than Labour found easy to accept. Despite intergovernmental tensions, the well-functioning relationship between the Taoiseach and the Tanaiste Dick Spring, leader of the Labour party, enabled the coalition to survive and was the main reason Fitzgerald avoided the collapse of his government for more than four years.

The defining moment was in 1986 when John Bruton was reappointed as the Finance Minister, but was not even allowed to present his budget in a remarkable repeat of the 1981 disintegration of the FG-Labour coalition. Bruton publicized his intention to introduce a series of taxes in order to deal with the fiscal crisis and also claimed in the Dail that 'I have no plans at present to introduce proposals for the privatisation of state companies.' The overall plan put forward by Bruton (Dail:20-02-86) sparked reaction within the Labour party, which was absolutely antithetical to the imposition of new taxes, and decided to withdraw its support to the government. Once again, due to a disagreement over Bruton's budget proposals the FG-Labour coalition fell apart and the country was led to another election.



Despite the fact that Fitzgerald's government did put an end to the downfall of the financial crisis and significantly decreased inflation (figure 2.4), it was unable to proceed with the required decisive actions that would generate economic growth. The result was that the problems of unemployment, borrowing and spending remained and the economy was not growing but actually had negative rates in 1985 and 1986. Privatization was not an issue for the FitzGerald government since the fragile coalition with the Labour party would not allow the implementation of such a policy. In addition, after staying in power for five years which were characterized by negligible economic growth and large scale unemployment, FitzGerald's popularity diminished significantly. In other words the FG-led government was doomed to fail since it was dependent on a coalition with a party that shared the concerns to improve the state sector, but had different views on how to achieve this improvement.

The FG-Labour government was attempting a balance between the language of 'supply-side' economics and social democracy. The two parties in government found themselves in a stalemate, since FG was pushing for control of the public finances via less expenditure, while Labour advocated more. FitzGerald wanted to proceed with further reforms of the state sector, to cut public expenditure and balance the budget, but he was held hostage by the Labour party. In fact the Taoiseach was accused by a more liberal part of FG for surrendering too easily to the left-wing policies of the Labour party.

In conclusion, in the 1980s the Irish institutional framework reflected most of the features attributed to a simple polity. Ireland possessed a highly polarized political and social environment

which excluded national actors from the policy process, it had five elections with a series of indecisive results and the formation of unstable governments which threatened to gridlock the political system and increased the volatility of the economy. Moreover, governments in the 1980s adopted policies of heavy borrowing in order to increase public spending and achieve higher growth rates. However, the effect of such policies was the rapid increase of budget deficits and inflation. Boylan (2002:15) notes that 'the period 1979-1987 was one of economic stagnation and extremely poor economic performance in most areas of economic activity...the most distinguishing feature of this period, and the aspect of economic policy which received most of the media attention, was the deterioration in the public finances.'

2.6 Political and economic mismanagement in Greece

The Greek political system in the 1980s resembled the characteristics of a simple polity. The political environment was highly polarized, coalition governments were formed but they were dissolved within some months and finally interest groups were largely excluded from the policy-making process.

On the brink of losing the oncoming elections of June 1989 in combination with the apparent return of ND to power, three months before the elections PASOK made critical changes in the electoral system. It established an electoral system of pure proportional representation therefore eliminating significantly the possibility of a single party government.²⁰ The result was directly visible in the formation of the legislature after the June 1989 elections since ND emerged as the first party with 44,3% of the votes but did not manage to gain a parliamentary majority.

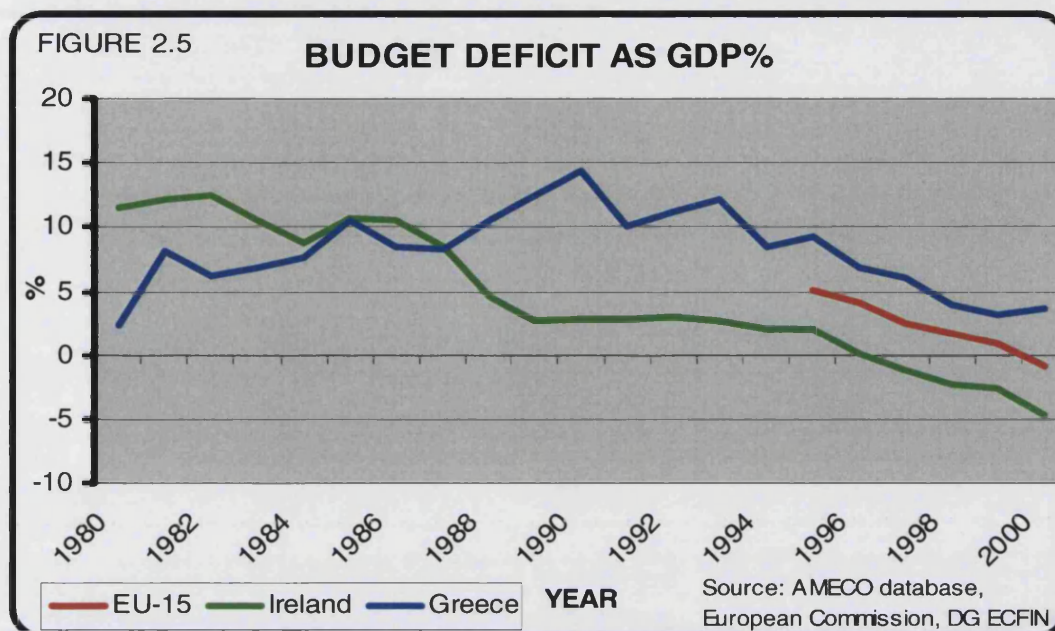
For the first time after the re-establishment of democracy in 1974 a coalition government was formed between ND and the Alliance of the Left and Progress (Synaspismos). Although Synaspismos had the opportunity to form an alliance with PASOK to which it theoretically was much closer ideologically, it chose ND, because there was a common will to put an end to the alleged PASOK scandals and start an operation of cleansing (catharsis) from corruption. However, it was clearly a coalition of convenience and there was little agreement between the two parties on the policy the government should follow for the necessary reorganization of the public sector and the national economy.

²⁰ The fact that consecutive Greek governments changed the electoral system for purposes of electoral engineering is confirmed by Lijphart (1994:53) who reveals that 'Greece used five different systems from 1974-1990.' In addition, the proportional electoral system was the only characteristic of a compound polity that Greece had during that period.

The next elections were scheduled in November 1989 and despite the important electoral gains for ND (46,2% of the votes) again it was not able to secure a parliamentary majority. An unprecedented 'all party government' with the participation of ND, PASOK and Synaspismos was formed. The creation of such a government was an unsuccessful attempt to ease the high degree of political polarization, because the political intensity had reached an all-time peak with Papandreou having faced the Supreme Court with charges of corruption.

A former Governor of the Bank of Greece, Xenophon Zolotas, became the interim non-partisan PM until new elections could be held. Zolotas was determined to impose structural changes, such as privatization and deal with the problematic companies belonging to OAE. He announced (Eleftherotypia:20-01-90) a series of measures, which would cut budget shortages and was determined to sell some of the OAE companies that had 'an accumulated debt above 600 billion drachmas.' His plan was to sell all of OAE's viable companies except for five which were of national importance and shut down those that were not viable. Zolotas (Eleftherotypia:20-01-90) argued that 'the so called problematic companies of OAE are a yawning wound that tend to turn into 'gangrene' and thus threaten to mortify 'the feet' of our economy.'

The government's privatization policy was not limited to the OAE companies, but was extended to other SOEs. Zolotas was the first PM who advocated the systemic privatizations in order to revitalize the economy and make the public sector more competitive in accordance with the liberalization of the European markets. He argued (Eleftherotypia:06-02-90) that 'the state should withdraw as soon as possible from the companies that it possesses and it should only keep SOEs such as OTE, DEH and OSE and perhaps 1-2 more companies of strategic importance.' He was the first to support that Olympic Airways should be re-privatized and did not hesitate to publicize that two big bankers had approached him, on behalf of a well-known and successful European air-line company to express their interest in purchasing 20% of the shares. He added that (Eleftherotypia:06-02-90) 'they were prepared to undertake the management, extend the national and international flights and even acquire a new fleet for the company.'



Despite the fact that all of the political parties and the labour unions agreed in theory that the government should act in order to help the OAE companies recover and remove the burden from the budget (figure 2.5), there was no willingness under those political circumstances to solve the problem. The reason was that in order to adopt PM Zolotas' economic package it was necessary to follow a tight economic policy. The plan recommended the removal of 10.000 workers, who would receive an income through a specially formulated fund and who would be retrained in order to be employed elsewhere in the public sector. None of the three parties was ready to face the politically costly decisions to adopt unpleasant policies and structural changes in the public sphere when the following elections had been scheduled for April of the same year. ND rejected the measures arguing (Eleftherotypia:09-01-90) that 'it will not accept any additional economic encumber for the people'. Papandreou (Eleftherotypia:09-01-90) refused to make any comments concerning the measures and only pointed out that 'the coalition government is capable of taking decisions that no single government would be able to do so.' The leader of Synaspismos, Harilaos Florakis, (Eleftherotypia:09-01-90) said that 'the left will oppose such measures.'

The political unwillingness of the all party government led to inaction, thus postponing reforms for the future. Successive governments tried to avoid or simply postpone adjustment to EU legislation and politically costly reforms. Following the response of the political parties, the Greek General Confederation of Labour (GSEE) supported that the PM's intentions contradicted the substance of the economic programmes of ND, PASOK and Synaspismos and the initial objectives of the all party government as a whole. Moreover, due to the disagreement regarding

the direction of economic policy and the reluctance of the political and social actors to take proper action, the Foundation of Greek Industrialists (SEV) attacked the functioning ability of the political system. They argued that the Greek political system cannot ensure the broad political and social consensus which the industrialists consider necessary in order to successfully adopt a long-term strategic economic policy. Likewise, the General Secretary of the National Centre of Public Administration Dimitris Athanasopoulos supported (Eleftherotypia:09-01-90) that there are two main reasons the political leaders were not reforming the public sector. 'First of all a radical reform of the public sector would place under serious dispute the foundations of the Greek society. Secondly, the politicians had established a situation that suited them well. If this system was disturbed then consequently the position of the politicians within the political system would be disturbed as well. There are two conclusions: either the politicians do not necessarily have the ability to transform the current affairs, or if they do, they do not want to do so.'

Before the pending April elections, the leaders of the three major parties were dealing with the prospect of another hung parliament. All of them agreed that a possible fourth consecutive election would seriously damage -the already troublesome- image of the Greek political system. Regardless of the electoral outcome it was deemed vital to form a stable government. However, the leader of ND Constantine Mitsotakis was adamant that under no circumstances, would ND cooperate with any other party in forming a government. ND underlined that there were clear ideological differences with the other political parties and cohabitation in power was completely out of the question. At the same time, Papandreou supported that there was a serious illness in the political system and an all party government was not the way to cure it, but was only a desperate solution. He also ruled out the prospect of forming a government with ND because of ideological disagreements.

In the meantime, the constant mismanagement of the Greek economy was an issue which the EU could not continue to ignore. As Featherstone (2003b:933) points out 'in March 1990, the then Commission President, Jacques Delors, wrote to Xenophon Zolotas, the technocratic head of the all-party government, warning that the deteriorating economic situation in Greece was "a serious concern for all of us." Indeed, the dire Greek situation threatened the ability of the EC to achieve its major common objectives: the single market, EMU, and the unification process as a whole.'

Similarly, the response of the Greek political actors to urgent economic and political problems was inadequate. The Greek state served and promoted a clientele system which was based on relatively weak institutions exposed to intensive and extensive political pressure. There was no form of a corporatist system or public dialogue where interest groups could participate in the formulation of public policies. The polarization between the two main political parties had reached

an all-time high and was threatening to assume social dimensions since the leader of PASOK Andreas Papandreou and several of his ministers were facing the Supreme Court with charges of corruption. The coalition governments formed did not last more than six months because the political parties were not willing to share power. In short, the Greek polity can be justly characterized as a simple polity in the 1980s and early 1990s.

2.7 Conclusion

This chapter analyzes the sequence of parallel features that characterized the Irish and the Greek polities during the first years of their EU membership and up until the late 1980s. The affirmation that the two countries had many common features is important for two major reasons. Firstly, to denote that neither country had a natural predisposition in completing structural reforms like privatization. They were both confronted with a troubled political system, unstable and short-lived governments, consecutive electoral contests and the steady underperformance of their national economies. Secondly, up to that time period both countries had most of the elements typical of a simple polity. More specifically, they lacked a wide-ranging corporatist system and demonstrated a constant inclination towards polarized politics based on the notion of majoritarianism and concentration of power in the executive.

This chapter illustrates the reasons that both countries initially fitted well in the simple polity model up until the late 1980s. However, shortly before the 1990s their paths stopped being parallel. In fact, this is the primary reason why the two countries make an interesting comparison. The following chapters attempt to show that within a few years the institutional context in the Irish polity significantly changed, whereas in Greece it remained stable. Before the start of the new decade coalition politics based on the notion of consensus and cooperation became the rule in Ireland. Statist practices of the past were abandoned as the policy formulation and implementation stages were opened up to numerous social actors, thus establishing an innovative corporatist system. These developments altered the Irish polity to such an extent that after 1992 it comprised the key characteristics of a compound polity.

This study proceeds with the empirical investigation of the privatization discourse in Ireland and Greece respectively. In the first case, it explains and describes the way Ireland transformed from a simple to a compound polity. This is a necessary requirement in order to enable the testing of the part of the hypothesis referring to compound polities. In doing so, it examines the Irish privatization discourse and examines whether in compound polities privatization is presented as a socially acceptable managerial adjustment to market needs with minimum references to ideology or strategic objectives. Similarly, the analysis on Greece initially considers whether the country

fulfils the simple polity features and then tests whether in simple polities privatization is justified principally on a pro-market ideological basis or an expressed strategic objective.

Chapter 3: Ireland 1987-1992, from Simple to Compound Polity

3. Introduction

This chapter has a twofold objective. Firstly it intends to examine the way the Irish polity within a few years transformed itself to such a degree that by the early 1990s, it almost portrayed the definition of a compound polity. Secondly, it aims to introduce the privatization discourse in Irish politics and test the hypothesis as it examines the arguments the FF (1987-1989) and FF-PD (1989-1992) governments used to justify the adoption of privatization.

3.1 The run-up to the 1987 elections: Privatization and neo-liberalism on the agenda

The 1987 general election confirmed the fact that there was room for a political party which openly advocated neo-liberalism as its ideological basis. The emergence of the PD into the third position after winning 12% of the votes and 14 seats in the Dail, verified that the Irish society was ready to consider neo-liberal economic policies including privatization. As McAleese argues the policies brought by the PD were of critical importance for the establishment of the pro-business economic environment that would take place in the future. More specifically, McAleese noted (IT:31-12-04) that 'they proved that there was a constituency for this, and they gave the intellectual power to it.' Moreover, the emergence of the PD in the third position signalled the commencement of a different period regarding the Irish party system and raised questions as to whether it was in a changing phase. O'Leary (1987) argued at the time that 'the Irish party system has undergone a major shock-wave, confirmed in the February 1987 elections...there are good reasons for supposing that the February 1987 election portends greater Europeanization and re-alignment.' O'Leary came to this conclusion partly due to the surprising emergence of the PD, but also because once more FF was unable to secure a parliamentary majority and thus become the sole determinant of the government structure.

Apart from the PD that had an undisputed pro-privatization agenda, FG proposed in its election programme the privatization of SOEs as a means to fund their further development and in certain cases pay off part of the national debt. However, FG was not as passionate in favour of this policy as the PD were, since the actual term 'privatization' was non-existent in its policy programme, even if it did advocate the selling of companies up to 49% of their shares. Maintaining the considerable support of the countryside for a rational and non-ideological approach to privatization, FitzGerald admitted that the proposal would meet opposition from many groups with vested interests, including trade unions. He argued (IT:22-01-87) that 'this would be the first time in the history of the state that a political party was willing to take on vested interests and put the

national interest first.' FG noted (IT:22-01-87) that the companies that could 'benefit from private investment include Aer Lingus, Net, Irish Steel, the National Stud, and Bord Na Mona.' Moreover, public monopolies such as Telecom Eireann (TE) were listed by FG as companies where private investment could help secure more rapid expansion of their activities. In contrast, FF issued a letter from the party leader Charles Haughey to the assistant secretary of the ICTU, Peter Cassels, assuring (IT:22-01-87) that FF 'had no intention of privatizing established state bodies such as Aer Lingus, Born Na Mona, CIE or any other commercial semi-state company.'

In any case, starting from the 1987 election, due to the electoral success of the PD, the Irish political system was on the verge of entering a new stage, one where smaller parties possessed the ability to choose their coalition partner between the two largest parties. This meant that FF's primary objective of forming single-party governments would be even more difficult, since smaller parties obtained a very significant percentage of the electorate and the seats. Thus, the prospect of seeking coalition partners was not only gaining grounds within FF, but was almost an inevitable development especially since the latter continued to fail to attain an overall parliamentary majority. Therefore, the introduction of another smaller party into the Dail, which was from now on a potential coalition partner for both main parties but at the same time had very specific and strong views concerning the direction of the economy, was a factor that arguably affected Irish politics ever after.

After the 1987 election FF returned to office with a single party minority government. Initially, Haughey's return as Taoiseach was dealt with scepticism by the media, because during his previous tenures he had mishandled the economy and as leader of the opposition he had obstructed government initiatives which would have helped stabilize public finances. This pessimism was based on the fact that ever since 1973 (Economist:16-10-04) 'successive Irish governments sought to offset the cut in living standards imposed by higher oil prices through fiscal and monetary expansion. The result, ultimately, was the high inflation, high unemployment, slow growth and even electoral instability that marred the 1980s. Emigration, especially of graduates, hit new highs. At the start of the third Haughey government in 1987, a grim joke made the rounds: would the last Irishman to leave please turn out the lights?'

Proving his critics wrong, Haughey's return to power marked the establishment of cooperative politics in Ireland which set the basis for the economic miracle that was yet to come. The Business Post (18-06-06) supports that 'there were real fears that he would act as recklessly as he did in 1979-81... It was Haughey who instead of putting on the break put on the accelerator in 1979, and who then spent the years 1982 to 1987 trying to trip up others as they tried to apply the breaks...From 1987 onwards, Haughey was decisive. His strategy was sound. He was also lucky.

He was lucky in his political friends his able lieutenant, Ray MacSharry and in his political opponents the insufficiently recognised Alan Dukes.'

3.2 Institutional metamorphosis in Ireland: from simple to compound polity

By 1987, the salience of the accumulated policy failure was such that the economic malaise ended up in realizing that there was an overwhelmingly creative potential for recovery, by providing strong reason for policies advocating a major break with the past. This led to a broad debate in order to seek solutions related to the poor economic progress and to intraparty agreement, political, economic and social cooperation and eventually to the metamorphosis of the Irish polity into one characterized by compound features. Apart from Haughey's political charisma and leadership skills, there were three interlinked factors that proved to be critical in relation to the change of the Irish political environment and institutional context.

The first major change in Irish politics was the adoption of the 'Tallaght Strategy' and the effect it had on the Irish political scene. Six months after the elections, on September 2nd 1987, the new FG and opposition leader Alan Dukes announced that due to the deteriorating economic situation of the public finances, FG would put national interest before party interest and back up the minority FF government under certain circumstances. Dukes addressed the Tallaght Chamber of Commerce and declared (FG:website) that 'when the government is moving in the right direction, I will not oppose the central thrust of its policy. If it is going in the right direction, I do not believe that it should be deviated from its course, or tripped up on macro-economic issues. Any other policy of opposition would amount simply to a cynical exploitation of short term political opportunities for a political advantage which would inevitably prove to be equally short-lived. I will not play that game.' Thus despite the adversarial character that dominated the Irish political scene the FG leadership acknowledged that the improvement of the national economy would only be achieved through cooperation among political parties rather than traditional confrontation.

The tallaght strategy was the first important indication of the changing political culture in Ireland with the adoption of cooperative politics. The FG TD at the time and later leader of the party Enda Kenny²¹ claimed (Irish Examiner:14-11-05) that 'the Tallaght Strategy, itself, proved our guiding principle - Ireland first. That was honest leadership. And through that courage, that honesty, the seeds of the Celtic Tiger were sown.' Undeniably, the 'Tallaght Strategy' did provide the minority government with the opportunity and the actual support to introduce necessary economic measures that would lower the national debt and implement deep cuts in public spending without

²¹ FG Leader from 2002-today.

political impediments. This is confirmed by the Economist (22-06-06) which notes that Haughey's governments 'proved remarkably successful, chiefly thanks to a decision by the Fine Gael opposition to support all moves towards fiscal reform. That allowed the fierce spending and tax cuts that began to transform Ireland from a banana republic into a "Celtic Tiger".'

The second major achievement in 1987 signalling change in the Irish political and institutional context was the accomplishment of the 'Programme for National Recovery' (PNR) which launched a new era in the Irish negotiated form of governance. The PNR was a broad social partnership between the government, unions and organized business and was the result of the National Economic and Social Council (NESC), a broad tripartite committee aiming to discuss possible measures and solutions for the crisis. Among others the NESC included the Business and Employers Confederation (IBEC), the Congress of Trade Unions (ICTU), the Farmer's Association (IFA) and senior civil servants. Murphy (2005:362) points out that 'from the mid 1980s major sectional interest groups gained access to government and an input into public policy that brought the political process to a position where social partnership was seen as the sole route to economic success and social inclusiveness.'

The PNR's ultimate objective was not only to launch a broad corporatist system, but also to achieve a fiscal, exchange and monetary climate that would set the foundations for further economic growth, establish a more equitable and fair tax system, diminish social inequities and decrease unemployment. It foresaw the implementation of a series of measures concerning wage levels and socio-economic policy. Social actors agreed upon an economic strategy that targeted to assist the national economy to escape from the enduring economic stagnation, rising taxes, increasing debts, massive unemployment and emigration. This is exemplified by the introduction of the PNR (PNR:5) which notes that 'the government, the ICTLJ, the FUE, the CII, the CIF, the IFA, Macra na Feirme and the ICOS, conscious of the grave state of our economic and social life, have agreed on this Programme to seek to regenerate our economy and improve the social equity of our society through their combined efforts.' Accordingly, it included a provision stating (PNR:10) outright that 'a fiscal policy which faces the financial realities is the key to putting the economy back on the path to long-term sustained economic growth.'

In order to make the Irish economy more efficient, the government argued that the reform of the public sector should be one of the crucial terms in the PNR. During the negotiations the government insisted that it was essential not only to reduce the number of civil servants but also to restrain their wages. The Taoiseach (Dail:27-05-87) declared that 'since pay accounts for one-third of current Exchequer expenditure, public service pay must be restrained over the period of the programme in order to contribute to reduction of the national debt-GNP ratio.' However, within

the spirit of achieving a broad corporate agreement, for the first time, the government was ready to make an opening to the unions and agree upon the specific measures that should be implemented in order to make the public sector more efficient. Haughey was even willing to modify his party's restrictive stance on public service pay and consider issues such as job creation, tax concession and welfare provisions.

Negotiations began between the government and ICTU, and although the former was only empowered to settle wages with public sector employees, it became evident that the private sector would have to follow. As a result, the two main employer organizations became drawn into the national negotiations. The agreement specified (PNR:10) that 'in realizing their budgetary targets, the government is committed to the need for the achievement of a reduction in the number of public service employees. They are committed to achieving this reduction on a voluntary basis. They are confident that the comprehensive voluntary arrangements they have introduced will achieve the reductions sought. If in practice, however, the take-up of these voluntary arrangements does not enable the government's budgetary and structural objectives to be met, the government will review the position but, in doing so, they undertake to consult fully with the ICTU.' Moreover, as the FF government was not a fervent supporter of privatization, it agreed not to utilize it as a method of decreasing public sector employees. In fact, on a pre-emptive basis, ICTU secured a veto on privatization as part of the overall agreement.

The fact that the unions and the interest groups were not excluded from the policy making process, but were actually invited to co-decide, was decisive as it largely guaranteed the application of the agreed measures. Bew, Hazelkorn and Patterson (1989:50) point out that 'during and immediately after the election in February 1987 Haughey invited ICTU to talks and had completed his programme by late September; the comparison with Thatcher is striking. While British unions were left out in the cold, Irish unions had not only been invited to talks about the economy and wages but also formed an essential ingredient in the government's economic strategy.' In addition, (Red and Black Revolution:1994) 'pointing to the situation in Britain where Thatcher had decimated trade union organisation, ICTU leaders claimed that the deal would protect the movement here from similar attacks from the right... It was sold to workers on the basis that by accepting pay increases which were lower than inflation, this would help the government to get the public finances under control and that as a result of this jobs would be created. ICTU leaders heralded the PNR as a victory for the trade union movement.'

During a period of economic and political instability, ICTU's approach to the PNR negotiations was pragmatic. In its attempt to avoid the fate of the increasing marginalization of the union movement in the UK, it accepted to participate in a social dialogue with the government and

negotiate rather than abstain from such discussions. Peter Cassells, the ICTU General Secretary, argued (Eurofound:website) that 'we took the view that the most acceptable models on which to build a Programme for National Recovery should be successful European countries such as Austria, Denmark, Finland, Norway and Sweden. These countries have rejected the confrontationist approach of the New Right and have lower levels of unemployment than the US or the UK.'

The European dimension could not be ignored since at that period, for the first time ever, the 1988 budget would benefit from the receipt of substantially expanded structural EU grants.²² This came at a crucial moment because it allowed the government to use these funds in order to tackle the backlog of deferred infrastructure projects without threatening the initially fragile recovery in the public finances. Haughey clarified that EU funding was an opportunity on which Ireland could not miss out, and was determined to make full use of them in such a way so as to balance the severe cuts in government expenditure that he was ready to apply. The Taoiseach (IT:13-06-06) underlined that the Community 'presents the Irish people with an historic opportunity to break out of the disadvantageous, circumscribed position we have been in for centuries.'

In fact the EU institutional set up provided Irish domestic actors with a new system of governance which was fundamentally based on the notion of consensus and cooperation. The impact of EU membership on Irish politics was not restricted to the projection of national interests in Brussels, but it became part of domestic change in many areas, including social partnership. Gradually, there was recognition by most national actors such as the government, the unions and the employers' confederation that a certain level of agreement was essential and to the benefit of all sides. As a result, Irish efforts to manage the internationalization of the economy evolved through a form of neo-corporatism known as social partnership. Laffan (2004:59-60) states that 'Ireland found itself in dire economic straits in the 1980s. Without radical change, the opportunities offered by the EU's internal market would have been lost. This began with the PNR... the content of all programmes was negotiated in the context of EU developments and the need to ensure that Ireland adjusted to the demands of economic integration. The ability to move from adversarial relations to partnership was in some measure due to EU engagement. The employers and trade unionists learnt of the value of partnership when exposed to continental European practices, and not just the British adversarial system.'

²² The cohesion funds were secured by Ireland, Greece, Portugal and Spain as a compensation for the market liberalization as these countries were financially in a weaker condition than the other member states.

The PNR recognized the critical role of the EU in relation to the rejuvenation of the national economy and for this reason it included a chapter on the European Community dimension. The chapter stressed the need to implement measures in order to help the economy converge with the other EU member states. More specifically, it underlined (PNR:7) that 'the Programme is based on the fullest participation by Ireland in the international economy and in the European Community...We are anxious that Ireland should play the fullest part possible in the completion of the internal market, subject to full account being taken of the possible serious difficulties for our economy from an insensitive application of some of the proposals involved and, also, of course, to market opening measures being matched by more effective Community action to achieve greater economic and social cohesion.'

After the 1987 elections, despite the long-standing instability of the political system, the polarization and the consecutive elections, the political parties and social actors made a noteworthy effort in order to reach a wider consensus which would enable the national economy to overpass the stalemate and make a breakthrough. It is not an overstatement to say that the combination of the 'Tallaght Strategy' and the accomplishment of the PNR set the foundations for Ireland's remarkable economic performance known as the 'Celtic Tiger.' House and McGrath (2004) mention that 'the Irish case since 1986 is characterized by a unique set of institutional innovations for creative, dynamic and self-reflexive governance aiming to achieve economic and social development.'

The European Commission attributed this period of strong economic growth to the decisive change of economic and social policy after 1987. The European Commission argued (1996:1) that 'a new broadly based macroeconomic strategy was adopted involving three main components fiscal consolidation, enhanced exchange rate strategy and a broad based social consensus agreement which included a competitiveness oriented wage agreement.' Additional transformations included the opening up of the Irish economy to the international trade and competition, a favourable tax policy that attracted foreign direct investment (FDI) (particularly of American multinationals wanting access to the European marketplace), improvements in Irish productivity and far-sighted policies which had produced a well-educated and well-trained workforce.

Finally, the third factor signifying change in the previously strongly adversarial Irish polity took place after the 1989 elections. In May 1989, Haughey called an early election in the hope of winning an overall majority. His decision proved to be hasty since despite the fact that FF's percentages in the opinion polls were very high, in the actual election the party lost four seats. The political deadlock and the instability of the early 1980s was threatening to reiterate as there

was no agreement regarding the composition of the government. Eventually, FF's inability to establish a single-party majority government led its leadership to re-evaluate its role within the political system and reconsider the case of forming coalition governments. In a major shift in its traditional core principle of not seeking coalition partners, twenty-seven days after the general election, Haughey decided that FF should enter into a coalition with the PD.

The decision made by Haughey not only gave a solution to the hung parliament at that given time but, more importantly, it signalled the commencement of an era in Irish politics where FF would not hesitate to share power as long as that secured the party's stay in government. Mair and Weeks (2005:148) note that FF's decision established that 'competition no longer revolved around "Fianna Fail versus the rest." From this point on, FF was to become "just another party", bigger and more successful than its opponents...second, by playing the coalition game FF opened up the possibility that it could now remain almost permanently in office. As the biggest single party, and as the party which was perhaps closest to the centre of the political spectrum, it would probably seem easier for FF to find a coalition partner than would be the case for most of the other parties.'

Nevertheless, the decision to engage into coalition politics in combination with Haughey's mistaken judgment to call for an early election caused tensions within FF. Many FF TDs were fervently opposed to any coalition at all and were not ready to compromise with the idea that their former party colleagues O'Malley and Molloy would be awarded cabinet posts. Additionally, there were concerns within FF that their party would be lured into policies that were promoted by the PD. Girvin (2005:150) states that while FF's leader commented that 'I will not allow anybody to think that FF needs to get its direction from another party' the PD ministers felt themselves excluded from the decision-making process of the government. Nonetheless, on the 5th of July Haughey and O'Malley –former FF rivals- agreed upon the deal for government.

FIGURE 3.1 From Simple to Compound Polity (1987-1989)	
Pre 1987	After 1987
Polarized Political Environment	Tallaght Strategy
No Broad Social Agreements	PNR
FF refused to form coalition governments	FF-PD coalition

Ireland's remarkable institutional revolution took place at many different levels. The political polarization was replaced by the consensual approach of the 'Tallaght Strategy', the gap of an organized corporatist system was fulfilled with the establishment of the PNR and the traditional

FF single-party governments were policies that belonged to the past (figure 3.1). All these developments signalled the commencement of a new era in Irish political, social and economic affairs. Eventually, as they stabilized within the Irish institutional framework, they transformed the country from the simple polity that it previously was into one that possessed all of the features attributed to compound polities.

3.3 Telecom Eireann (TE) during the 'Smurfit years' (1983-1991) and privatization

After the 1983 Postal and Telecommunications Services Act²³ was voted in the Dail, the government hired one of the most prominent Irish businessmen Dr. Michael Smurfit as its chairman to manage the new organization and turn around Ireland's ailing state owned telecoms.²⁴ Smurfit's appointment was a surprise as it was widely accepted that he did not take this position for economic and social gains but must have been motivated by some form of altruism.

The new chairman was completely aware that a modern and efficient telecoms network in the country would act as a vehicle for national development and for the creation of new jobs.²⁵ One of his first actions was the decision to proceed with the complete modernization of the Irish telecommunications infrastructure which had been quite underdeveloped. TE embarked upon a major infrastructure upgrade by replacing analogue systems with digital telephone switching technology across the country together with an extensive fibre optic and digital microwave backbone. As a result, by the early 1990s, the Irish network was amongst the most modern and most digitalized in the world. Additionally, he had to deal with the company's overstaffing as TE was the largest employer in Ireland. During his tenure there was a significant effort to reduce this

²³ The 1983 Act separated telecommunications and post therefore creating two separate and autonomous companies: the national telecommunications company Eireann and An Post.

²⁴ During that time, residential and business installations of telephones was a long-lasting procedure which required customers to prepay a year's fixed charges in order to acquire telephone lines. Additionally, the services offered were of poor quality, limited and overpriced when compared to other EU countries. This was an obvious disincentive to foreign companies that were seeking to draw access to the European market. Finally, the company was overstaffed and was producing large deficits.

²⁵ Smurfit was determined to succeed and improve the national telecoms company services and finances. In order to reorganize the company, he immediately secured the services of established managers from the private sector, including the former senior manager of IBM Ireland, as the company's new CEO. Smurfit set clear, aggressive goals for service levels, debt reduction, and profitability that would help drive the organization throughout the 1980s towards the single market. To achieve these objectives he emphasized that TE should adapt and modernize its services according to the needs of industry and consumers. Additionally, it should prepare itself to be able to cope with the EU competition after the liberalization of the market in 1992.

number gradually, in order to avoid the disruption of industrial peace, but to simultaneously achieve the initial goals of operational cost reduction.

What is important to note is the fact that during the 'Smurfit years' it was not the Irish government that was leading the way and giving direction to TE on how to proceed but it was Smurfit's dynamic leadership which paved the way for the government. As Hall (1993:197) argues, 'the initial transformation of the Irish telecommunications sector did not result from an ideological revolution among government policymakers or from a vision of the telecommunications revolution to come. Rather, it sprang from a belated recognition that the sector had become a serious impediment to Irish economic growth and job creation. What was needed, besides a substantial investment programme, was a drastic change in organization, management, and culture.'

The presence of a successful and dynamic businessman in charge of the newly formed, but ineffective national telecoms was vital for its rapid development during the 1980s. Smurfit managed to transform an antiquated loss-making company into one of the most efficient, modern communication companies in the world. Burnham (2003:543-544) states that 'in 1980, Ireland's telecommunications system was perhaps the worst in western Europe. Operated as a government department, it was vastly overstaffed, its equipment was antiquated, its service was erratic, and its charges for both domestic and international calls were among the highest in Europe... By 1988, the government could tell the members of the Dail that international service had been improved to such a degree that it is now a major contributing factor to present day successes in wooing foreign firms to our shores.'

Privatization entered the agenda a little before the change of government in 1987 and shortly before the commencement of the single market. In fact, the legal status quo throughout the 1980s excluded privatization as an option. The 1983 Postal and Telecommunications Services Act did not foresee the ability of private ownership for TE. However, by 1986 there were certain claims that due to the improvement of the company, the FitzGerald government was evaluating certain reports which suggested the privatization of TE. As a result, the FG minister for Communications, Jim Mitchell, reassured the Dail that the government did not have any immediate plans to amend the Act in such a way so as to allow the privatization of any of the two companies (Posts and Telecoms). In fact, Mitchell (Dail:19-02-86) noted that 'the Minister for Communications holds all but three of the shares in An Post and TE. The Minister is precluded under section 23 (2) of the Postal and Telecommunications Services Act, 1983, from transferring or alienating his holding in either company and there is no provision in the Act for the acquisition of shares in either company by private interests.' Hence as long as the Act was not amended, the government did not have the option of privatizing TE since this was prohibited by law.

After the change of government in 1987 and the return of Charles Haughey as Taoiseach, TE had been transformed into a healthy and profitable company and Smurfit started to advocate the company's privatization openly and passionately. According to Smurfit, the privatization was not only the logical next step but it was necessary in order to increase the company's efficiency, further its development and guarantee its better adjustment to the competitive environment after the completion of the single European market. In fact, Smurfit did not hesitate to argue in his annual report that due to the European challenge, privatization was the most appropriate path for the company's future well being. As Burnham (2003:544) points out 'the European Commission was laying out a long-run plan for greater competition in the telecom sector that Ireland would have to follow. As Smurfit noted in the 1988 and 1989 annual reports, TE could not afford to rest on its laurels but would have to become more flexible in advance of competitive challenges sure to come in the near future.' In other words, Smurfit associated the European developments with the prospective TE privatization as a means to enable the company to adjust to pan-European competition. However, the Haughey governments were not willing to consider on their formal agenda the prospect of privatizing TE.

3.4 First privatizations

For the first time in Irish politics the prospect of privatizing SOEs was formally acknowledged in the 'Programme for Government' by the newly formed FF-PD coalition in 1989. Arguably, it was considering privatization due to the presence of the PD in the government. The PD party programme devoted an entire chapter under the title 'privatization' where it outlined (PD:website) the necessity 'to create greater enterprise and competition in the Irish economy through ending state monopolies and cartels, or commercialising state activities.' However, the Finance minister Albert Reynolds (IT:12-08-89) clarified that the 'privatization of several semi-state companies was being investigated only to Irish Steel and Irish Life²⁶ and that no other semi-state bodies were involved.'

The coalition government was determined to uphold the policy of broad social partnerships based on compromise and negotiation by all possible means and therefore would not perform privatizations unless a certain level of agreement had been previously reached. The government presided in the formation of the 'Programme for Economic and Social Progress 1990-93' (PESP) a new agreement with employers, unions and farmers which succeeded the PNR. The new social partnership called for fiscal and monetary stabilization, tax reform and sectoral development.

²⁶ Irish Life was privatized by way of flotation on the Dublin and London stock markets in 1991.

Regarding privatization the Taoiseach underlined that any changes in the ownership of particular state companies would only take place after consultation with social partners and only if it was agreed that it served the interests of the company, its employees and the general public.

In the meantime, the TE Chairman was pushing the government to include the telecoms company in its privatization programme. In fact, after the publication of the 1988 and 1989 TE annual reports which mentioned the necessity to privatize the company there were increased assertions in the Dail that the FF-PD government was ready to adopt Smurfit's view and proceed with the privatization of TE. The Minister for Communications, Raphael Burke, praised the company's success, but at the same time differentiated the government's position from what Smurfit was proposing. Burke (Dail:05-07-90) clarified this by stating in the Dail that 'I am very happy with the latest annual report and accounts of TE, reflecting as it does the continued success of the company and improvement of services to the extent of a profit before tax of £79 million this year and the first dividend payment to the state. I have also noted the comments made by the chairman which reflect his own views and which he is perfectly entitled to make. On the matter of privatization, I have had no such discussions with the chairman of TE or anybody else on that matter and there are no plans for such discussions at this stage.'

Smurfit's insistence to carry out TE's privatization was mounting day after day. In fact there was an evident disagreement between the Telecom Board which was openly in favour of privatization and the government which was largely undecided. The Minister for Tourism, Transport and Communications, Seamus Brennan, informed the Dail that there was a different view, between the government and Smurfit, concerning the future well being of TE. Brennan did not deny the fact that Smurfit had repeatedly pressed the government and even the Taoiseach to carry out the privatization of TE as soon as possible. More specifically, Brennan (Dail:05-11-91) stated that 'I assume that one of the persons mentioned [Smurfit] met the Taoiseach on many occasions in the past number of years. I assume that person took the opportunity, as he regularly did in the public arena and in meetings, to make his views known again to the Taoiseach, as he has done with many Ministers and Members of the House from all sides, on the subject of privatization of Telecom. My understanding is, however, that no formal meeting took place with the Taoiseach and that person on this issue.'

In March 1990, the government sealed an agreement with ICTU for the creation of a working group under the Central Review Committee to undertake a speedy review of the role and contribution of state companies in economic development and job creation. The working group approved the sale of state company shares to the private sector if this enabled the company to survive, to make a better contribution to the economy, to protect or increase employment, or if it

was considered desirable on policy grounds. However, the General Secretary of the Telecommunications Workers Union, David Begg, warned that the labour unions would oppose a new national understanding agreement if they had not previously attained an absolute categorical and unsustainable guarantee, from the government, for the protection of the public sector by denouncing TE's privatization. Hence, privatization of SOEs was formally embraced in the coalition's agenda in the 'Agreed Programme for Government', but it involved only a limited group of specific SOEs of which TE was not included.

The cautious stance of the government led the company's board to initiate a number of studies on the effects of both privatization and no privatization with regards to the future of the company. The board of the company acted independently of the government knowing in advance that the latter was against such a prospect at that time frame. The distance separating the Telecom Board and the government was verified in the statement made by Brennan in the Dail. Brennan (Dail:05-11-91) argued that 'TE decided to undertake an exploratory study of their future equity options, competition, liberalization and deregulation issues and EC policy...Telecom subsequently in August 1991 selected IBI and NCB to prepare a study on the implications of privatization. Telecom did not discuss the scope of this study, the selection of advisers to conduct the study or seek the approval of the Government.'

Even though the government had not approved the execution of the studies and it was not considering the prospect of privatizing TE, Brennan, similarly to Smurfit, directly linked it with the single market entrance. In fact, he was astonishingly defensive even apologetic on the issue of privatization, indicating that the government was divided on whether it constituted a favourable development. Brennan (Dail:05-11-91) claimed that 'I make no apology for concurring and not objecting to a study of the privatization of TE. What else would one do with a company who are heading for EC changes and have a dominant position in the marketplace but study their future financial structures....Many former Ministers on that side of the House in their day — I have a whole list of them — suggested and examined ways of financing State companies, including privatization. Therefore, let us not all wash our hands and pretend that privatization is something we should not even study lest we get caught out...I fully accept my responsibilities. I understood from TE that they were carrying out a study in regard to privatization. I did not object to that and I still do not object to it. It is important to study all these issues, but by studying them does not necessarily mean we will accept the recommendations.'

Despite Smurfit's undeniable success in transforming the national telecoms to a profitable and healthy company, his accomplishment was overshadowed in 1991 due to a controversial property

deal for TE's new headquarters in Ballsbridge.²⁷ Immediately the calls for Smurfit's removal mounted from all political parties and the media. The Minister of Communication Seamus Brennan acknowledged the validity of the claims and ordered an inquiry into the whole affair and simultaneously notified the board to take no further action in relation to the development of the Ballsbridge site. In September 1991 Smurfit resigned from his post as TE Chairman due to the suggestion made by Taoiseach Haughey (Irish Emigrant:30-09-91) that 'he should step aside until inquiries are complete.' In any case, Smurfit's removal did put an end to the calls for the privatization of the national telecoms company.

3.5 From Haughey to Reynolds

The way the whole issue was handled by the Taoiseach cast doubt on the ability of Charles Haughey to continue leading FF and the government. The sacking was made all the worse as Haughey made the comment on national radio while Smurfit was playing golf. In fact the party's disapproval was illustrated by a statement issued by four FF backbenchers who criticized him heavily. In fact, Haughey's leadership was openly questioned by his Finance Minister Albert Reynolds. A group of TDs supporting Reynolds put down a motion of no confidence which saw the Taoiseach prevail with 55 votes to 22. Nevertheless, Haughey's success was only a Pyrrhic victory since there was a significant number of TDs that openly expressed their dissatisfaction with his leadership. At the same time, his minister of Justice, Sean Doherty, publicly stated that he had authorized the tapping of two journalists' telephones in 1982. Although Haughey denied the allegations the PD leader, O'Malley, clarified that under those circumstances his party could no longer continue to be in that government. As a result on the 30th of January 1992 Haughey retired as the FF party leader and Taoiseach and was succeeded by Reynolds. In his final address to the Dail, Haughey (IT:13-0-06) famously quoted Othello saying inter alia 'I have done the State some service.'

The government's approach to privatization did not change with the new Taoiseach. The FF-PD government did not announce any further privatization projects apart from those that had been initially outlined in the programme of governance. Thus the Finance Minister, Bertie Ahern, (Dail:08-06-92) stated in the Dail that 'the only income received from this source over the last four years arose in 1991 when £333.4 million was received. Since then, a further £33 million has been

²⁷ One of Smurfit's companies, United Property Holdings, possessed in the past a 10% stake in the Ballsbridge property, before selling it to Hoddle Investments for a significant profit. Some months later, Hoddle Investments sold the property to TE for almost double the price. As a result the previous two owners of the Ballsbridge property, including Smurfit's United Property Holdings had netted substantial profits from these transactions. Smurfit rejected the allegations of an organized plan and argued that he was completely unaware that one of his companies ever had a stake in the Ballsbridge property.

obtained in 1992 from the sale of further shares in Greencore, while £8.5 million has been obtained from the sale of B & I. As regards the next three years, there are no proposals at present for the sale of shares in any other state companies and consequently no estimate of receipts exist.'

Reynolds identified the smooth transition to the single market and the economic integration towards the EMU as the government's key policy objectives.²⁸ In order to reach the two government goals it was required to slash spending in the public sector, shut down unprofitable hospitals, cut services and eliminate government jobs. Ahern confirmed that privatization had been increasingly gaining grounds on the government agenda as a useful tool to achieve macroeconomic stability, which was required by the EMU preparatory stages. Ahern (Dail:04-11-92) clarified that 'as regards the use of funds from sale of shares in state assets, the government's policy is to use these proceeds to reduce borrowing and thus help to ease the burden of the national debt and of debt-servicing costs. In accordance with that principle, and in line with the accounting practice which has now become well established, receipts of this nature will continue to be treated as "Exchequer Capital Receipts".'

By the end of 1992 the question of privatization or no privatization had attracted more interest as the supporters of the policy were increasing. In October 1992, Reynolds publicized his belief that 49% of Aer Lingus should be privatized preferably through a strategic alliance due to the company's trouble to further fund its development and its need to modernize. In the same way a systemic privatization programme was urged by the Director General of the Confederation of Irish Industry (CII), Liam Connellan, (IT:08-06-92) who supported that 'the sale of semi-state companies like Aer Lingus, Aer Rianta, TE and Bord Na Mona would release government funds to reduce the national debt and for new investment in job creating initiatives.'

However, the privatization programme was not continued as the coalition between FF and the PD under Reynolds was ended prematurely in October 1992 after the Taoiseach accused the PD leader, O'Malley, of committing perjury when giving evidence to the Beef Tribunal. The PD argued (IT:30-10-92) that the Taoiseach was 'provoking the election because he will not accept that the charge of dishonesty has been demonstrably shown to be incorrect.' In any case, the

²⁸ The government held a referendum, in June 1992, in order to ratify the Maastricht Treaty, where 69% of the citizens approved it. All the main political parties campaigned in favour of the Treaty confirming their commitment to the single market objectives and the prospect of the EMU. Hence, it is not a surprise that the Taoiseach (Cork Examiner:20-06-92) declared that 'Eurosceptics do not have much of a following here.'

party resigned from the coalition and on the 5th of November 1992 the government was defeated on a motion of no confidence in the Dail, leading the country to yet another general election.

3.6 Conclusion

The initial purpose of this chapter was to elucidate the key changes that took place in the Irish political scene and policy-making process after 1987. It illustrated the developments that ultimately led to an institutional metamorphosis. Within a few years the Irish polity transformed from one previously embodying the characteristics of a simple polity into one that closely resembled the description of a compound polity.

Before 1987, the Irish policy-making process was characterized by two features: the exclusion of labour unions and management from the decision-making and the choice of both sides of confrontational means in resolving their disagreements. At that period there was a broad debate in order to seek solutions related to the poor economic progress which led to intraparty cooperation, political harmony and the accomplishment of broad social partnerships. With the accomplishment of the PNR, Ireland established an innovative negotiated form of governance modelled to some extent on Northern European corporatism. Inclusive corporatism was institutionalized as the new Irish form of governance, which became the catalyst of successful and constructive economic change. The PNR enabled social partnerships, included the formal participation and consultation of a significant number of interest groups and actors. It built trust and gained acceptance for the government to reach a wider audience during the cooperative discourse. In other words, organized groups such as business, trade and labour unions but also a whole set of the institutional set up embedded in the Irish society such as community nongovernmental organizations, farmers and civil society representatives became an active part of the policy-making process. House and McGrath (2004:29-58) mention that 'the Irish case since 1986 is characterized by a unique set of institutional innovations for creative, dynamic and self-reflexive governance aiming to achieve economic and social development.'

After 1987, Irish political parties showed an unprecedented willingness to compromise and invest in building gradual sociopolitical consensus. The 'Tallaght Strategy' in combination with FF's shift towards coalition politics was more than a mere indication of the changed culture in Irish politics. These two developments were of critical importance as they signalled the termination of the era where politics were based on confrontation and polarization and the commencement of one where cooperation and consensus would be at the centre of the political affairs. The establishment of a consensus-oriented political system in Ireland enabled successive governments to implement policies that were agreed upon between political, social and economic

actors and ensured that policies were not repeatedly shifted when governments changed. The transformation of the Irish polity ever since 1921, and especially in the 1980s, is also acknowledged by Bulsara and Kissane (2009:186) who conclude that 'if the question was whether the state is a majoritarian or a consensus democracy...our findings, show a shift towards the latter ...The Westminster model is clearly in decline, and there is now more consensus politics.' As a result, within a few years the Irish polity had gone through an institutional metamorphosis as it largely transformed from a simple to a compound polity.

It is not possible to test the hypothesis about the telecoms privatization discourse during the period 1987-1989 when FF was in office, due to the fact that Ireland maintained some of the characteristics attributed to a simple polity. As a result the hypothesis referring to compound polities is not applicable to that period.²⁹

In relation to the examination of the FF-PD coalition government starting in 1989, the Irish polity at that period featured most of the compound polity characteristics. This enables us to examine the second part of the hypothesis. Initially, the main issue of concern for the coalition government was not nationalization or privatization. The national discussion was dominated by the need to modernize the public sector, restructure SOEs and reexamine employers' and employees' common benefits. The eventual institutionalization of privatization on the national agenda came about within the auspices of the PESP, where the government was obliged to consult with and seek the agreement of the interested parties in case it intended to privatize SOEs. This factor

29 However, the first part of the hypothesis referring to simple polities could be put under consideration in the run-up to the 1987 elections. At that stage, only two political parties supported the disposal of state assets. On the one hand, the PD were the only political party that openly advocated neo-liberal ideas and had incorporated them in their economic programme and thus legitimated the application of privatization on such grounds. On the other, FG favoured the selling of specific SOEs' minority stakes to the private sector but did not have an ideological position. It did not even use the term privatization in its economic programme earlier than the 1987 and 1989 elections. Interestingly enough, FG justified its policy choice in favour of disposing state assets on strategic reasons, arguing that it would help reduce the large public debt and further fund public investment.

Thus, in the run-up to the 1987 general elections, both parties promoting privatization associated their prospective state disposals either on an ideological claim as the PD or on strategic reasons as FG. In short, if we strictly test the privatization discourse in pre 1987 Ireland –not in the telecoms sector - it is verified that to a certain extent, in simple polities privatization is justified principally on a pro-market ideological basis or an expressed strategic objective. At the same time there are arguments that weaken such as assumption. Firstly, the FF minority government completely discarded privatization from its policy agenda. Secondly, the policies put forward by FG were not applied as the party was in the opposition benches and the PD entered the government only in 1989 while the institutional transformation had significantly progressed and Ireland was far from being a simple polity anymore. Therefore, it can be argued that by analyzing the privatization discourse up until 1987, the simple polity hypothesis is confirmed only to a small extent. In effect it cannot be fully examined, as the privatization discourse did not specifically involve telecoms and was limited only to party programmes which were actually never put into action.

confirms the nature of a compound polity since the coordinative discourse regarding privatization was rather effective as it did not permit unilateral government decision-making on the matter, but it required the mutual agreement of the involved interest groups.

From the very beginning, the coalition government had identified two companies (Irish Steel and Irish Life) that it openly intended to privatize. Although the government publicly acknowledged that the privatization revenues would be used for exchequer purposes, it did not legitimate its limited privatization programme on grounds of strategic interests and the need to increase state receipts. In fact, in order to perform these privatizations it had to reach an agreement with the unions and the other interest groups involved. The interest groups had repeatedly expressed that they would not accept a policy that was based on reasons they did not approve. In the case of Irish Life the agreement was largely achieved as the privatization occurred with relatively little opposition, since it had been negotiated and approved by national actors. In that case, the sole reason given by the government and accepted by the interest groups was the fact that the company would be more efficient in developing under private ownership. Such an assessment confirms the hypothesis that the legitimization of privatization in compound polities is presented as a socially acceptable managerial adjustment to market needs.

However, there are initial grounds to build a case rejecting the second part of the hypothesis. The TE privatization discourse at that point did not represent a socially acceptable managerial adjustment to market needs. In fact, the company's Chairman was putting a lot of pressure on the government to include TE in its immediate privatization agenda and was fervently in favour of privatization for strategic reasons grounding his arguments on the EU developments. In fact, Smurfit directly related TE's prospective privatization to the liberalization of the EU telecoms market. From such a perspective the hypothesis can arguably be rejected.

There is once again sufficient evidence to consider the hypothesis as largely not verified. In compound polities, due to the existence of a negotiated form of governance, social actors decide the agenda together with the government during the policy formulation process. It is obvious that the decision to privatize TE would demand the consent of the social actors, as that was required in the PESP. The labour unions were warning the government that they would stand against it, if the latter attempted to even consider the subject. As a result, at no point was the TE privatization put under actual political deliberation since the government and the social actors involved had expressed their reluctance to open discussions on that issue, at that time frame. In other words, the TE privatization discourse did not occur within the formal institutional framework, in the coordinative process and the pro-privatization statements were limited to the policy

recommendations made by the TE Chairman beyond the institutionalized corporatist system (PESP).

In conclusion, it is difficult to argue that there was an adequate privatization discourse in the telecoms sector prior to the 1992 Irish general elections. Although privatization as a prospective policy choice had entered the political agenda, as some parties had incorporated it in their programmes, at the time the discourse did not formally involve the national telecoms company. The prospective telecoms privatization was not on the table of the negotiations between the social actors either in the PNR or the PESP. Calls to privatize TE were only reflected by the policy recommendations made by the TE Chairman. As a result the discursive process was rather incomplete since it did not include all of the naturally involved national actors. In fact, the role and position of most of them cannot be determined because there were not many public comments on the issue. Thus, to a large extent the hypothesis at that given time period is not applicable as it cannot be fully tested.

Chapter 4: Greece 1990-1993: Privatization in the Name of European Integration

4. Introduction

This chapter investigates the domestic discourse regarding privatization politics in Greece during the 1990-1993 period when Constantine Mitsotakis was PM. It reveals the influence of neo-liberalism and Europeanization on the government policy and how they affected the domestic discourse and the grounds on which the ND government publicly pursued the privatization of OTE, the national telecoms company. For the first time in Greek politics, privatization was not simply on the agenda but it was actually at the centre of the political debate.

4.1 Lack of a coordinative privatization discourse

Although in the April 1990 elections ND obtained 46,9% of the popular vote it was only able to form a single-party majority government with a margin of one MP.³⁰ The slim majority proved to be a decisive factor for the government, which would have to maintain comprehensive party unity in order to remain in power. It was immediately clarified by Mitsotakis that the new government would present a distinctive turn in terms of economic planning. The PM (Mitsotakis:07-11-90) argued that Greece was on the brink of establishing itself as the periphery of the Community due to the economic policy followed in the 1980s stating that 'we lost a decade of European economic recovery...unfortunately President Delors' statement that we are Europe's poorest member is a reality.'

Without any delay, convergence with Europe was set as the principal priority for the new government which argued that the future of the country ran parallel to the future of the Community. Mitsotakis viewed the EU as a system of solid political and economic development which would offer Greece all the necessary policies, legislation and financial assistance in order to develop economically. Therefore he was committed to implement all of the required structural reforms to stabilize the national economy, but also perform a systemic privatization programme. From the very beginning, Mitsotakis (Mitsotakis:24-04-90) linked the application of privatization with Europeanization and underlined in his opening speech in parliament, that 'we need to pursue the denationalization of the economy. The excessive growth of the public sector and the intensive state intervention are currently present everywhere and have not only solved problems but actually amplified them...Today we need a wind of change which will reinstate competition and

³⁰ The only MP elected for DIANA (Democratic Renewal) Theodoros Katsikis crossed the floor and switched back to ND, therefore providing it with the critical majority.

reduce the state's participation in the economy...only with a realistic assessment of the modern needs and a far-reaching policy will Greece be able to follow the international developments taking place instead of leaving our country behind, unable and abashed to take part in them. We will remain consistently attached to the idea of a united Europe...the fate of our country is identified with the fate of Europe. In the EU our democratic ideals are consolidated, our economic prosperity is safeguarded and our national defense is established as the borders of Greece are also European borders...Greece is our country, Europe is our future.'

The PM identified four different, but interrelated categories of public companies that would eventually pass over to the private sector. Firstly, the unviable –under public management– companies belonging to OAE. Secondly, all the subsidiary companies of banks under state control that burdened the budget. Thirdly, he promised to annul public supervision from certain SOEs. He pledged to provide them with increased independence, establish free competition and not distort competition through state aid. Any company in need of financial support, whether public or private, would have to apply for loans under the same competition rules. Finally, the PM (Mitsotakis:24-04-90) stressed that the government would do anything possible in order 'to boost the competitiveness and the efficiency of the companies that will remain under public control such as DEH, OTE, OSE and OA. The parallel activation of the private sector in specific functions of these companies and at the same time the disengagement of the government from them, as it is our intention to establish private sector criteria ...we should not neglect that the strengthening of our economy constitutes a substantial precondition in order to allow our country to participate in the new international environment and even more specifically, within Europe which will be unified economically before the 1st of January 1993.' The governing party consistently made references to Europe as a means of legitimating unpopular structural reforms, even before it took office, as it considered it the ultimate beneficial constraint that would eventually convince national actors and the public to adjust their policies and beliefs accordingly.

The PM's assertion that the telecoms and electricity companies would be partially privatized was considered to breach ND's economic programme, as the latter stated (ND:1987:19) that 'natural monopolies, such as OTE and DEH are excluded from the privatization agenda.' Furthermore, before becoming PM he regularly repeated (Mitsotakis:20-08-87) that 'we will restructure them; we do not have the intention to privatize OA, OTE or DEH. Only if our restructuring programme does not proceed, will we consider privatization as an option.' Subsequently, his intention to privatize OTE and OA was confirmed in one of his first visits abroad, in Japan, where he announced (Mitsotakis:19-09-90) 'the gradual introduction of private capital, and management into state-controlled companies such as OA and the telecommunications organization.'

With his opening speech in Parliament the PM had already committed the government to a specific privatization policy and was criticized, because he did not seek to build any political or social consensus by negotiating with the affected interest groups prior to his speech and had disregarded the coordinative process in the policy-making. Initially, Mitsotakis (Eleftherotypia:25-04-90) had emphatically stated that 'the government does not care about the political cost in order to implement the right and incorruptible measures.' At the same time though, he promised that his government would not act unilaterally in the decision making process, but would be in a constant social dialogue with all the interested groups and affected parties. He actually underlined (Eleftherotypia:29-04-90) that 'I repeat categorically that we will follow a model of governance based on the notion of social consensus, because we believe that it is the foundation of a well functioning democratic society.'

By announcing the government's systemic privatization programme without having conducted any social dialogue in the form of a coordinative discourse, Mitsotakis paved the way to rally all the political and social actors interested or affected against the measures. The government's unilateral approach was immediately highlighted by those who opposed the privatization agenda. One day after the PM's opening speech, the leader of the main opposition party, PASOK, Andreas Papandreou met with the two largest labour unions, GSEE and ADEDY (Higher Administration of the Unions of Public Employees) who had previously called Mitsotakis to withdraw the measures and instigate a social dialogue. GSEE and ADEDY had an immediate and unified response condemning the privatization programme, claiming that it would have negative effects on wages, prices, inflation and would lead to a dramatic increase of unemployment and poverty. The President of GSEE, Lampros Kanellopoulos, declared (Eleftherotypia:25-04-90) that 'the government plan presented by the PM is in total clash with our position, our proposals and the objectives of the entire labour movement. Today, the labour classes have only tasted the bitter results of a policy that will hit the working classes and lead many people to a situation dominated by insecurity. If this is how the government understands consensus and social dialogue then it should seek it exclusively from the groups of the economic oligarchy that it serves and not from the Greek working class.'

The unions under the auspices of GSEE and ADEDY, apart from winning over the support of all the opposition parties, unified the segmented labour unions of every political faction. Labour unions across the country, regardless of profession, were called to coordinate their actions – through general strikes- in order to block the unilateral declaration of the government to proceed with privatizations. The unions that were not affected by the measures were called to join the strikes for solidarity purposes. All of them expressed their disagreement and decided that it was an issue over and above party expediencies. Only DAKE the union faction of ND, differentiated its

position arguing that although the government's measures were against the objectives of the labour movement a degree of toleration was required in order to judge them on a long-term basis. In any case, after having ensured the unified response of the labour unions GSEE and ADEDY acted jointly with the opposition parties aiming to do whatever was necessary to prevent the privatizations. The strikes were intense, extended and populous and the message GSEE and ADEDY were trying to pass was that the government was refusing to open a constructive social dialogue, was uncompromising and more importantly that privatization could potentially endanger the well-being of society. Through the extensive strikes the government had prematurely received the first important negative messages from society.

The government may have not expected any agreement within the parliament, but the outright rejection of its policy programme in combination with the instant agreement on objectives among the opposition parties and the labour unions was only a foretaste of what would follow in the future. More importantly, it failed to explain the purpose of its policies and to respond, in a persuasive and decisive manner, to PASOK's claims that ND was serving the interests of a particular wealthy class of society. Such allegations were intensified due to the enthusiastic response of SEV to the PM's opening speech. SEV with a press release (Eleftherotypia:27-04-90) argued that the 'the myths have been taken apart, the real problems are brought forward, the prospects and the dangers are weighed and finally our economic policy is acquiring internal consistency and cohesion.' Business interests in Greece were completely independent of state institutions. However, the fact that there was an agreement in principle as to the desired direction of the economy between ND and SEV, was highly criticized by the opposition which portrayed their concurrence as a proof that the former was serving the interests of the latter. PASOK and Synaspismos instantly accused ND of selling off the national silver and executing (Eleftherotypia:25-04-90) a 'harsh Thatcherite programme' which would afflict the working classes and act in favour of the interests of SEV and the wealthy industrialists. Characteristically, Papandreou argued (Eleftherotypia:26-04-90) that 'the government wants to give away the profits to its friends and keep the debts and the inflation for the taxpayers.'

The political polarization was mounting and was accompanied by polemical statements between the two main parties which were not willing to sit down, discuss and agree upon the desired policy direction. PASOK not only opposed the governing plan, but Papandreou personally led the anti-privatization campaign signifying that PASOK would not allow the policy to pass uncontested. As a matter of fact, he argued that the privatizations should not proceed, because they would lead the country to (Eleftherotypia:08-09-90) a 'very dark tunnel.' He advocated that ND should form a social contract with the unions, according to which a consensus would be reached, allowing the country to withstand the economic crisis. He went as far as to accuse exogenous decision-

making centres and claimed (Eleftherotypia:27-04-90) that 'the IMF has acted. Measures that lack social consensus are doomed to fail beyond a shadow of a doubt.' At no point was the ideological dispute of neo-liberalism versus state intervention contested, but it was substituted and was simplified by the ethnocentric debate of the unattractive private and foreign versus the socially acceptable public Greek firms.

Although the government was not willing to retreat from its announced measures, it did not make an effort to explain why such structural reforms were so necessary at the given time. In contrast, the argumentation put forward was that the majority of the electorate was backing the measures and that PASOK was undermining the structural reforms for short-term political benefits. In a press-release issued during the days of the strikes ND attacked PASOK for instigating the protests and claimed (Eleftherotypia:07-06-90) that 'the government, two months after having received the popular verdict and order, sadly ascertains that the methodical planning of the labour unions unrest is been continued systematically. The Greek people are fully aware of the dramatic economic condition that we were led as a country by the wasteful and inefficient policies followed by PASOK. The order of the 8th of April is clear: Implementation of an economic programme that will uplift the national economy and modernize the Greek society...The government is not acting in an unfair way and does not wish to quarrel with anyone. It is underlining in the most sincere way that it does not currently possess the ability to satisfy economic requests and it reminds those that have forgotten, what they were supporting when they too were part of the all-party government.'

4.2 Communicative privatization discourse

While the PM was not ready to back down on his privatization measures, at the same time he was aware that if the social tensions carried on, it would be very difficult to keep his parliamentary group together. Evidently, this shaped the privatization discourse as when the government actually started implementing this policy in the autumn of 1990, it failed to justify it either on its original neo-liberal ideological beliefs or the EU policy effects. In contrast, in the privatization legislative initiative the bill's wording largely echoed the argumentation brought up by PASOK in the mid 1980s using the familiar and arguably socially acceptable terminology of the past with words such as socialization. This was portrayed in framework law 2000/1991 for 'the denationalization, simplification of the procedures of liquidation, the strengthening of competition and other provisions.' This was a crucial law, because it opened the way for the entire privatization of many SOEs and the partial privatization of DEH, OTE and OA.³¹ More specifically,

³¹ Article 10.1 specified that the state must own at least 51% of DEH, OTE and OA.

the preamble declared that 'privatization of the state owned entities constitutes the highest form of socialization. On the one hand these economic entities will pass over to the private sector but on the other hand their survival will depend on their ability to satisfy social needs.'³²

In the preamble of Law 2000/1991 there was absolutely no statement concerning the need to make public administration more effective, efficient and economically viable or any reference to the EU developments. The government adopted the language which it had previously rejected, because it was considered to be a means to ease the pressure from the opposition and the unions. Unsurprisingly, the opposition parties had expressed their outright disagreement with Law 2000/1991 in meetings with the PM and campaigned against it. Papandreou characteristically stated (Eleftherotypia:09-11-90) that 'the government's privatization measures will not be successful...who will be in charge of the administration of the SOE if 49% is privatized?'

During the same period, the government brought another bill, 1914/1990, to parliament which terminated state intervention in DEH, OTE and OA and empowered them to operate under private sector principles. The purpose of this bill was to permit the modernization of these SOEs in order to prepare them for competition within the single market. The government spokesman, Vironas Polidoras, argued (Eleftherotypia:09-01-91) that 'these SOEs should assume control both in administration and economic terms in order to acquire greater flexibility in relation to the increased competition after the completion of the single market.'

In combination with the fervent opposition of PASOK and the likelihood of reducing the number of employees in OA and OTE, since the new law anticipated such a possibility, an advocacy coalition that was against privatization was created. The government acknowledged that there were two opposing camps, those in favour of privatization and those standing against it. In fact, it argued (ND:1991:22) that 'the Greek citizens will understand that privatizations will help the national economy revive and that they will benefit the society as a whole. They will understand that their own interests clash with those of the trade and labour unions. The result of this clash will be the proof that the government is representing the majority of Greek citizens whereas the opposition is representing small social minorities.'

The government was not intending to enact a social dialogue as it had already committed itself to specific policy objectives. Its unwillingness to coordinate a social dialogue was signified by its rejection of Papandreou's proposal for a social contract by stating (ND:1991:22) that 'we are following a policy of denationalization which is in conformity with the EU and the international

³² Preamble, Law 2000/1991

experience, but PASOK and the unions disagree with this policy. The only social contract possible right now is the one formed during the period of the All Party Government, which failed to deal effectively with any economic issue.'

However, in terms of its communicative discourse as the opposition to privatization was increasing, after 1991, the reference to the EU effects was growing as the main positive legitimating resource in the national scene. Arguably, this was happening because Greek citizens were traditionally very supportive of the EU and the government believed that if it associated the participation in the single market and the monetary union with privatization it would decrease public opposition. Mitsotakis stated (Mitsotakis:01-07-91) that 'the medium-range programme of modernization of the economy is being put into practice in hopes that the state deficit and inflation rate will drastically decrease. This will create the long term conditions under which Greece will be able to participate in the single market and in the European economic and currency union as an equal partner. At the same time, the denationalization programme and the freeing of the economy will release resources that can be used to the full advantage for growth and that will allow private enterprise to function more effectively.'

The importance placed upon the external EU stimulus in order to justify the privatization programme was signified by a cycle of information which was published by the party headquarters during that period. Firstly it outlined (ND:1991:3) that 'the EU acknowledged the progress of the Greek economy such as the 75% decrease of the primary deficit, decrease in public expenditure, increase of income from tax evasion to 27,2% of the GDP and also decrease of inflation from 23% to 17%.' According to the ND evaluation (ND:1991:3) 'the messages that were given included the speeding up of the privatization process so as to decrease the public debt, with the parallel reduction of the public domain which creates and caters this debt.' In addition, it stated (ND:1991:3) that 'it was about time for the labour unions to comprehend that the true interest for the working class and all the people is not the prolongation of the public debt, but its drastic reduction and the good usage of the money that will be saved.' Secondly, ND announced the Dutch Presidency's proposals concerning the future terms and conditions that all member states had to meet in order to enter the EMU. These proposals requested the decrease of the public debt to less than 60% of the GDP and the budget deficit to 3% of the GDP. The government's response was presented in a press release which stated that (ND:1991:3) 'the terms and conditions proposed by the Dutch Presidency are prohibitive for our public finances as they are today. The public debt is way above 100% of the GDP since 1987...This should be regarded as an official warning to our country concerning the national economy.'

At that given time the PM publicly acknowledged a different perspective regarding the central motive behind the privatization programme. Taking into account the condition of the public finances and the terms for the participation in the first EMU stage and in order to converge with the other member states in macroeconomic figures, the PM started regularly stressing that the privatization receipts could help cover fiscal gaps. Mitsotakis argued in London (Mitsotakis:16-09-91) that 'we expect significant gains in efficiency from the privatization programme we have launched. I would like to discuss this programme at some length because I consider it a cornerstone of my government's economic programme...The Greek privatization programme aims at: stimulating competition and improving efficiency, promoting fiscal consolidation, both through the proceeds from sales of public enterprises and through the elimination of subsidies, encouraging wider ownership of shares in public enterprises and utilities, particularly small shareholders...the next targets of our privatization programme are the telephone and electricity companies and the national air carrier...the goals we have set are ambitious. But the policies we have adopted are the only means of creating a dynamic, modern economy able to compete in the Single European Market. We are therefore determined to ignore any cost and fully carry out the economic programme we have announced. We are determined to succeed.'

In the communicative discourse, the government may have put particular emphasis on the association of the application of privatization and the effects of the EU policies, but this did not necessarily mean that it had managed to convince the general public. In fact, it did not ensure the transparency and impartiality of the process, as there were corruption allegations which remained largely unanswered in the privatization of AGET Heracles, the national cement company. This gave the unions and PASOK the opportunity to criticize not only the government's policy choices but also its integrity. SEV argued that mishandlings in the explanation of the subject matter cost the privatization process valuable time. SEV perceived that the government was on the brink of losing public opinion and it made an effort to caution it by noting that ND should convince the general public with its economic arguments. More specifically, it stated (SEV:1992:4) that 'the government shoulders the increased responsibilities concerning the denationalization of the economy. It must safeguard the course of denationalization by applying processes that, not only are, but appear to be unimpeachable, therefore restricting any potential opportunities for claims of corruption or of scandals, that will disorientate the society. It must convince the people that the denationalization takes place in order to protect the public interest, something that will occur only by informing the public about the benefits that will result from this policy. The statist propaganda must be answered back with uncontested facts and the attempt by anyone to take personal advantage of the denationalization policy, should be wiped out. The denationalization is critical for the future well-being of the Greek economy. Under no circumstances should it fail due to bad handlings.'

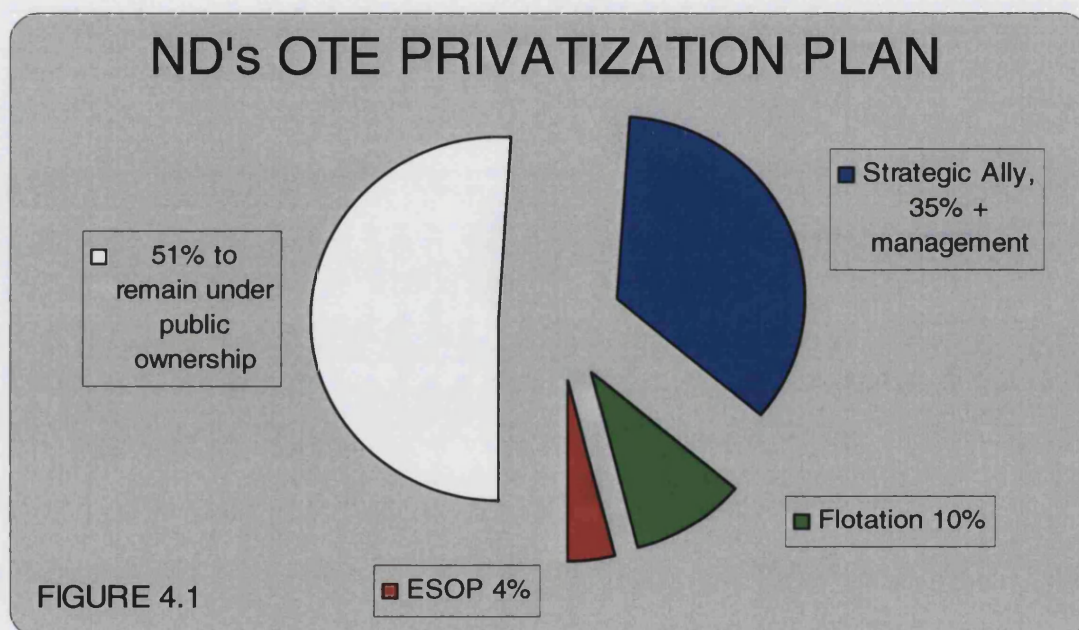
4.3 Failing to privatize OTE

In an attempt to reverse the negative climate and accelerate the privatization process the PM appointed in February 1992, Stefanos Manos, a committed neo-liberal, as the Minister of National Economy. The duty to accomplish the national privatization programme was assigned to Manos, something which signalled the government's intention to defend it on ideological grounds. However, the association with the EU constraints was not abandoned. Mitsotakis spelled it out by declaring (Mitsotakis:22-05-92) that 'I want to say this loud and clear, we are determined to continue our programme according to Maastricht without retreating, since we decided to keep on track with our Community partners. For us the EU is our central national aim and our main pursuit. This is why we will accelerate the privatization process, which I have to confess is a difficult matter, but recently our results are very positive.'

The new minister was determined to speed up the privatization process of the telecoms company, OTE. Although, (ND:1991:17) the 'primary intention was to privatize either 10% or 20% of the national telecoms through a flotation', after Manos' appointment the plan was significantly altered. Making full use of framework Law 2000/1991, which enabled the privatization of up to 49% of OTE, he immediately initiated a very optimistic and far-reaching plan. In December 1992, he announced that 35% of OTE, including the management would be sold to a strategic ally, 10% would be floated in the Stock Market and 4% would be distributed to the employees of the company. According to his timetable, by September 1993 OTE's privatization would have been finalized. The PM asserted (Mitsotakis:16-12-92) that 'our privatization programme is being implemented at the right pace...as far as the OTE privatization is concerned, I need once more to explain that our programme but also Law 2000, which we voted, anticipates OTE's partial privatization as far as the majority of the enterprise's shares remain under public ownership.'

The new OTE privatization plan (figure 4.1) was considered by a series of domestic actors to be overwhelmingly drastic and ground-breaking; therefore it instantly created an advocacy coalition against it. Firstly, the labour federation of OTE, OME-OTE requested that all opposition political parties appeal for a referendum asking the Greek citizens whether OTE should be privatized or remain 100% public. In addition, in cooperation with GSEE they organized a national labour poll in which approximately 40,000 unionists took place. The results of the poll showed (Eleftherotypia:12-03-93) that '82,65% of the workers rejected the policy of privatization and 87,43% agreed with the positions of GSEE.' In a press conference, the president of OME-OTE, Giannis Maniatis, attacked Manos and argued that (Eleftherotypia:15-01-93) 'he is consciously

lying when he says that the privatization of OTE is the most appropriate solution in order to modernize the company. OME-OTE has a study which exemplifies that such a privatization would cost 1,653 trillion drachmas to the national budget within the next 12 years and OTE would suffer a 1,226 trillion drachmas detriment.' Additionally, OME-OTE proceeded by taking the Board of Directors of OTE to court claiming that the decision to privatize OTE was against law 165/1973 which noted that the state must hold at least 75% of OTE. In addition, OME-OTE argued that the privatization would enable foreign individuals to receive figures and data of OTE's economic condition which was contrary to industrial secrecy and violated national interests.



Secondly, the three opposition parties PASOK, Synaspismos and the Communist Party (KKE) joined forces and proposed an amendment which intended to void the privatization of OTE, DEH, OA and the Hellenic Refineries. It aimed to nullify law 2000/1991 by exempting the four SOEs from the privatization process, and law 1914/1990 which allowed the private sector to acquire the management of SOEs. Given the disagreement of the unions, all of the opposition parties argued that the government should call for a referendum as OME-OTE had requested, its outcome determining the future of OTE. PASOK criticized ND of attempting to enforce (Eleftherotypia:16-01-93) 'a nationally dangerous sell out with procedures that lacked transparency and possible criminal implications for those involved.'

The government reacted instantly and via Manos accused PASOK for the dreadful economic condition claiming that (Eleftherotypia:30-03-93) 'all the economic problems the country is facing

are the result of the absolutely imprudent over-loaning policies carried out by PASOK.' Manos stated that (Eleftherotypia:30-03-93) 'if the reform process was postponed again then the future of Greece within the EU would be problematic.' He verified that (Eleftherotypia:30-03-93) 'the government was in collaboration with the EU, OECD and the IMF regarding the restructuring of the Greek economy and that ECOFIN had acknowledged that the economic figures had been shifted positively ever since ND became government.' Finally, he rejected the possibility of holding a referendum and pointed out (Eleftherotypia:16-01-93) that the '1993 budget which has been voted by parliament includes privatization proceeds of 300 billion drachmas and therefore it sufficiently provides the government with the necessary prerequisites in order to proceed with its programme.'

At that stage the single market objective, provided essential justification for the privatization programme without making reference to budget needs. The government declared that it decided to privatize OTE because (Eleftherotypia:23-05-93) 'by 1998 the Community is abolishing the monopoly in the telecoms sector. This means that all the other telecom companies can come and establish themselves in Greece and offer their services to the Greek consumers in competition with the public OTE. Do you honestly believe that under the current circumstances OTE could cope with such competition?...The danger is great to leave OTE on its own to compete with the European giants, that is why the government decided to give 35% of the shares of OTE to an able strategic ally in order to safeguard the company and help it modernize and adjust to present and future needs...the UK, Spain and Italy have all privatized their telecommunications [at least partially]...Portugal, the Netherlands, Ireland, Denmark and Belgium have all announced that they will sell their telecoms by 1995. In addition the German and French governments are in the process of passing legislation in parliament that will allow them to privatize. The entire world is changing, only we are remaining stubborn.'

At the same time though, the restoration of the public finances had evolved as the top government priority and the privatization of OTE was the most practical way to reduce budget deficits drastically. At that period it was publicly acknowledged by both by the PM and the minister of the National Economy that the privatization of OTE had serious fiscal implications for the government, which was committed to the Commission to reduce budget deficits.³³ The government had (Eleftherotypia:26-04-93) 'initially estimated a budget surplus of approximately 600-650 billion drachmas by the end of the year, but due to the general mismanagement of the economy if the privatization of OTE failed, the deficit would rise as high as 800 billion drachmas.'

³³ Article 104 (1) of the EC Treaty outlines that 'member states shall avoid excessive government deficits.' In cases where governments were unable to control budget deficits there were immediate consequences ranging from a Commission report to inability to participate.

Characteristically Mitsotakis stated (Eleftherotypia:15-04-93) that 'if OTE is not privatized we will have problems with our budget.' Along the same lines, Manos admitted (Tachidromos:27-05-93) that 'we will now focus on the privatization process because we have no other options. If OTE, the refineries, certain service of EOT (National Organization of Tourism) and the casinos are privatized, our revenues will significantly exceed the amount that we have estimated in this category [privatizations] in the budget and thus we will be able to make up for the deficit in the category of tax collection.' Whether the government legitimized the privatization of OTE on reasons of company efficiency in relation to the single market or fiscal consolidation due to the EMU convergence criteria, the appeal to EU constraints in its communicative discourse was manifest in both cases.

Thirdly, the General Manager of OTE Dimitris Kouremenos and the Board of Directors did not agree with Manos' privatization plan, since he had announced it without consulting OTE. Kouremenos (Personal Interview) underlined that 'without any consultation with the Board of Directors of OTE, Manos employed Coopers & Lybrand which scrutinized all the economic figures of OTE and provided the government with their overall assessment including the value of the company in order to enact the privatization process.' After the evaluation was concluded the government included 300 billion drachmas in the 1993 budget from the forthcoming privatization of OTE in September 1993. Kouremenos expressed his discontent because (Personal Interview) 'the estimation of OTE's value performed by the government was imprudent and foolish. Moreover, Manos pushed the Board to an unjustified extent in order to advance with the proceedings of the privatization rapidly.' Furthermore, ten former Directors of OTE from 1977-1990 sent a letter to Manos informing him that (Eleftherotypia:07-04-93) 'the privatization of OTE and more specifically the handing over of the management to a foreign strategic investor is a threat to the broader national interests.' The former managers of the company agreed with the position of the current Board that OTE should not be privatized but should be modernized with the appropriate internal restructuring and furthering its investment programme.

In the meantime, Papandreou underlined (Eleftherotypia:05-05-93) that the privatization plan is a 'without precedent give-away which will be detrimental both in the short and the long run.' He steadily repeated that OTE was undervalued by ND, and argued that its true value exceeded 3 trillion drachmas, therefore the partial (49%) privatization of OTE for 300 billion drachmas was totally unacceptable. In May 1993, Papandreou had a formal meeting with the OTE Board in which he declared (PASOK:1993) that 'if the government advances with the privatization of OTE, when PASOK comes to power we will void this action. According to our lawyers we are capable of reversing such a privatization if we have first informed all the interested parties.' Consequently, PASOK sent a concise formal letter to all the interested strategic allies of OTE warning them that

when the party returns to power it will cancel law 2167/93 and thus the privatization of OTE would be annulled. In fact, Papandreou's opposition to the privatization and his public statements was significant since national polls favoured PASOK by an all time high 9,7% difference.³⁴

In April 1993, OTE's Board, refused to accept Manos' decision to allow a foreign consulting company to evaluate the bids made for the supplying of digital telephone devices and networks. In fact, the Board believed that the assigned committee of OTE should review it in order to save the company from the fee of the foreign consulting company. The Board disregarded the government's decision, thus challenging the authority of the latter over the company and as a result, Kouremenos was removed from his position as General Manager.

Fourthly, having failed to build any political or even social coalitions, so as to promote its privatization agenda, the government had isolated itself from any possible allies. The result was that SEV clearly distinguished its position from the government through its president Stelios Argiros, who claimed (Eleftherotypia:09-05-93) that 'we are selling off the family silver.' Additionally, in a press release SEV stated that (SEV:1993) 'as far as the national economy is concerned, the issue is not whether OTE should be privatized or not. This in fact is a pseudo-question. The real question is whether OTE will have a heavy or light structure and more importantly if healthy competition will be allowed in Greece in the telecommunications sector...We are more interested in the smooth transition from a monopoly to a liberalized competitive environment, as is the case in Europe.'

Finally, one of the most prominent Greek businessmen, Sokratis Kokkalis, owner of Intracom the main supplier of OTE with digital devices, had expressed his discomfort with the effects of a possible OTE privatization. Kokkalis was aware that if the privatization took place, according to the government plan, the strategic ally acting as manager, would choose the digital devices supplying company without any political intervention. Intracom and Siemens had signed a five year contract with the PASOK government in 1988, which enabled them to exclusively provide OTE with digital devices and barred any other company from taking part in the bidding procedure. The current government had expressed its intention to change the law and open it to all interested companies. It claimed that the existing situation was scandalous, it distorted competition and damaged OTE. Therefore the exclusivity privilege that Intracom and Siemens enjoyed due to the previous political assignment would vanish and Intracom could potentially lose its most important client, OTE. As a result after meeting with Manos, Kokkalis noted (Eleftherotypia:07-05-93) that 'the privatization of OTE is a political decision. However, I informed

³⁴ ALKO EPE, for Eleftherotypia, 5 May 1993, p.22-23.

Minister Manos that if OTE is privatized, as far as the suppliers are concerned the strategic ally should put into practice a policy to receive its supply from the domestic market.'

4.4 OTE privatization politics

PM Mitsotakis may have expected opposition from the political parties and the labour unions, what he did not expect though, was the uncontrollable internal ND conflicts that would eventually split his party. In less than three years, the PM had personally clashed with four senior cabinet members, leading the latter to resignation from the government and was on the verge of losing control within his parliamentary group as a result of his uncompromising leadership style. One of his former ministers, Antonis Samaras detached himself from ND's parliamentary group, resigned from being an MP and founded a new political party, Political Spring (POLAN). One of his first comments as leader of POLAN was to accuse the government (VIMA:01-08-93) 'of careless handlings and inexcusable tenacity when dealing with the issue of OTE.' Taking into account the fact that the government had the fragile majority of two³⁵ MPs it becomes evident that Mitsotakis was required to walk a tight rope so as to maintain the unity of his party and the longevity of his government.

Another minister who had resigned, and a prospective challenger of the ND leadership, was Miltiadis Evert who argued that he was comfortable with the privatization of OTE up to 49% but disagreed with the proposed method and the assignment of the management to a minority shareholder. The ND faction of OME-OTE, DAKE, met with Evert in order to ensure that under no circumstances would the management of the company be assigned to the minority shareholder. DAKE had formally proposed (Kathimerini:24-04-93) the 'flotation of up to 49% of OTE's shares, with the precondition that the company would not give up its national and social role...it is unacceptable to provide the strategic ally with the management and also the majority of seats within the Board of Directors.' Evert reassured DAKE that he was not alone on this issue (Eleftherotypia:21-03-93) 'but I know many other ND MPs that would refuse to vote for such a plan.' Eventually, a number of ND MPs agreed with him –against Manos' plan- thus the internal opposition was mounting. For example, the former Deputy Minister of Transports, Apostolos Kratsas, spoke publicly against the Manos plan and warned the PM that (Eleftherotypia:04-03-93) 'if he persists with Manos' privatization programme, he will face increased political tension and it will have a destructive effect on the party.'

³⁵ ND had won a further MP after the elections in an appeal.

The incapacity of the government to support its policy as a collective body was signified by the clear lack of commitment among government ministers. The Minister of Transports, Theodoros Anagnostopoulos -who theoretically had OTE as part of his portfolio-, did not make any effort to adopt a common line with Manos. Anagnostopoulos admitted (Eleftherotypia:08-04-93) that the government 'had provided the electorate with insufficient information about the privatization process of OTE.' More importantly, in an attempt to disengage himself he stated (Eleftherotypia:23-04-93) that he 'had not been involved in the process [choosing the strategic ally] and was completely unaware of the government's intentions.' Similarly, the Minister of National Defence Ioannis Varvitsiotis had formally expressed his uneasiness with the privatization of OTE for reasons of national security. The interpretation given by Varvitsiotis in his formal letter was that the military operations of the Greek Army were fully dependent on the networks provided by OTE. The assignment of the management to a strategic ally would seriously undermine the interests of the Greek Army, thus threatening national security. Additionally, Manos had received a letter signed by 69 former higher military officials who requested the cancellation of the privatization process. This objection was successfully dealt with by Manos, as Varvitsiotis retracted his concern of the privatization, after he was assured that the telecommunications of the Greek Military would remain confidential and protected, thus the national interests would not be breached. In fact, Manos included the participation of a Military Commissioner in the Board of Directors of OTE, who would have the authority to veto any decisions that might endanger national security or threaten the interests of the Greek Military.

The government continued to stress the need to privatize in order to adjust to modern European developments and declared that it would bring the first bill regarding the privatization of SOEs, to parliament in the first week of August 1993. Mitsotakis stated (Mitsotakis:21-07-93) that 'I would like to repeat our stance loud and clear: during a period where privatization rapidly moves forward all around the world, it is a global uniqueness for the opposition and certain labour unions to glue themselves to the practices of the past. To become more precise, in the case of OTE, according to the Community's decisions, its monopoly will last up until 2003. Greece had to battle in the Community in order to achieve this time extension. Therefore if we do not undertake all of the necessary measures to be ready for the pan-European competition, OTE will become problematic and will be shut down after 2003. Everybody knows that under its current public character OTE is unable to cope with the prospective international competition.'

Due to the disagreement of many ND MPs, the government plan was to bring the privatization bills to parliament in August during the recess sessions.³⁶ This decision was based on two key factors. Firstly, Manos considered it an absolute necessity to pass the bill as soon as possible or else the privatization process and the budget would become unmanageable affairs. The upcoming elections were scheduled for April 1994 and in case the government had not signed the agreement with the strategic ally by October 1993 the privatization process would be threatened with collapse something which the other parties were ready to use to their advantage during the electoral campaign. Secondly, it was believed that if the bill was passed during the recess sessions, it would facilitate matters for the government since it would be easier to convince 50 MPs to vote according to party lines than impose party discipline to all 152 ND MPs. Despite the effort made by all parties of the opposition, the government did not accept their request to bring the bill to a plenary session.

The governing party was called to overcome the disagreement of a number of its MPs regarding the two bills it intended to pass, one on the rules concerning the privatization of SOEs in general and the other of OTE specifically. In the Second Recess Session (August), which the government had selected to pass its legislation 2 of its MPs (Kleitos and Stamatis) were very sceptical about the privatization plan. Moreover, Evert had stated that under no circumstances would he allow the assignment of OTE's management to the strategic investor, who was a minority shareholder. Finally, there were two Muslim independent MPs who openly admitted that they were only interested in the rights of the Muslim minority in Thrace. Only a couple of hours before the session, Mitsotakis requested the withdrawal of the bill. The reason was that two MPs and Evert had informed the PM that they were not going to vote affirmatively, meaning that ND would not be able to secure a majority.

The main disagreement concerned Article 8 which analyzed certain technicalities in the privatization process and made a number of amendments to law 2000/91. After pressure the government was forced to include in Article 8 a sentence declaring that 'these technicalities do not have any relation with the privatization of OTE and DEH.' Thus, only after intensive, behind the scenes, lobbying the parliament gave its assent with 51 votes in favour and 48 against. It is worth mentioning that Evert had requested to be substituted by a 'faithful' ND MP. Nevertheless, although the bill passed it was evident that Mitsotakis was unable to control his parliamentary

³⁶The Parliament's recess, in other words, during the time period between two sessions (usually during the summer months), part of the legislative work and of the parliamentary control are exercised by the Recess Session...[which] is composed by one third of the total number of MPs...Every summer three Recess Sessions convene (for the months of July, August and September, respectively). Thus, all MPs participate in at least one Recess Session.' <http://www.parliament.gr/english/organwsh/epistim.asp>

group. In fact the press mocked the government and was arguing (Ethnos:05-08-93) that 'the privatization bill was voted due to Allah's blessing.'

The next bill the government intended to pass was the one dealing with the privatization of OTE according to the Manos plan. The main obstacle was the disagreement among the ND MPs regarding the assignment of the management to the strategic ally. Again the protagonists were Evert, the two MPs who disagreed and the two Muslim MPs who redeemed the government. Mitsotakis was aware that in case the bill would not pass, the most probable consequence would be the collapse of his government thus he was now willing to listen to the views of all of those that did not agree. He arranged a long meeting with Evert where it was agreed that the majority of the members within the Board of OTE would be appointed by the government, not the strategic investor. Mitsotakis was making an effort to convince everybody for the necessity of the bill and stated (Mitsotakis:04-08-93) that 'I want to clarify that this bill is of critical importance because it aims to improve the functioning of telecommunications in Greece and make the national enterprise more competitive. This is vital because, due to our EU membership the following years it will be difficult for companies that do not adapt to the European needs and we will be holding the monopoly within our country only up to 2003...The OTE bill will ensure that 51% of OTE's shares remain under public control and therefore despite the assignment of the management to the strategic ally –who will acquire 35% of the company- it is guaranteed that 6 of the 11 Board Members will be appointed by the state.'

Although Manos was initially against such a development and threatened to resign from his post, he remained in order to ensure that the interested foreign companies would not withdraw their interest for OTE. However, he made some changes in the bill which empowered the General Manager of OTE to such an extent that the Board of Directors would not be able to control him. Evert immediately reacted and warned that he would not vote for the bill unless –once more- significant adjustments were made. Evert argued (Ethnos:10-08-93) that 'the authority of the General Manager must be diminished, to ensure that after the privatization there will not be any increases in the telephone bills and guarantee that the national security will not be endangered.'

Mitsotakis had not only lost the confidence of his party, but the situation was now beyond his control. The government's reactions to the prospect of not being able to pass the legislation were twofold. Firstly the proposed bill was revised –once more- and there were further modifications towards the direction Evert had pointed out. Secondly, in a very controversial action Mitsotakis asked the Speaker of the House to replace two of the ND MPs in the second recess session (Kleitos and Stamatis) with the Minister of the National Economy Manos and the Minister of Industry Vasileios Kontogiannopoulos. Mitsotakis' action was a desperate move to pass the bill,

but angered a significant number of ND MPs. As a matter of fact, three additional ND MPs publicized their disagreement with the OTE bill and the fact that they were considering the prospect of joining POLAN. It was clear that Mitsotakis was not only unable to control his party but more importantly had lost the confidence of the parliament. Nevertheless, the OTE bill, Law 2167/93 was passed by the second recess session of the parliament with 51 votes in favour and 47 against.

All of the opposition parties in cooperation with the labour unions sent a formal request to the President of the Republic, Konstantinos Karamanlis, asking him not to approve the new OTE privatization law or at least force the government to bring it to the plenary session. They argued that the Constitution was violated on several counts, among others, they pointed out that the substitution of the MPs in the second recess session without their consent was unconstitutional. The President did not respond to their formal letter and signed law 2167/93.

After the bill passed, Manos wanted to make sure that the new OTE General Manager – appointed by the strategic investor- would make the decision concerning the supply order of 1 million digital devices. He argued (Eleftherotypia:04-09-93) that it would be ‘illogical to give the 1 million digital devices before the arrival of the new strategic investor.’ However, before being able to make any decisions, the government had to find a solution to the mounting opposition. The political parties of the opposition joined their powers and lodged an amendment to law 2167/93 in the third recess session of the parliament. The amendment aimed to reinstate the previous status-quo concerning OTE, thus not allowing the privatization. The PM substituted another ‘unfaithful’ MP (Stephanos Stephanopoulos)³⁷ so as to maintain the ‘technical’ majority and rule out the amendment. The government through its Speaker, Polidoras, made it clear (Eleftherotypia:01-09-93) that ‘if at least two [ie one more] MPs withdraw from ND and become independent then we will be led to elections.’ Eventually, the ND government admitted its defeat in September 1993 when an additional MP, Giorgos Simpilidis, resigned from the ND parliamentary group therefore shifting the balance within the legislative body. As a result, OTE’s privatization was cancelled and the next government, which would result from the general election, would be called to make a decision concerning its fate.

³⁷ Stephanopoulos immediately resigned from the ND parliamentary group, joined POLAN and thus decreased the government’s majority to one MP.

4.5 Conclusion

Since joining the Community and up to the early 1990s, Greek political parties did not make an attempt to switch from adversarial politics of single party governments and polarization to cooperative politics based on the notions of coalition and consensus. Neither ND nor PASOK were willing to share political power and that was indisputably exemplified by the fact that immediately after the two elections held in 1989 which both resulted in a hung parliament, general elections were re-programmed, as swiftly as the Constitution allowed. Therefore, there was no intention to make an effort to allow the coalition governments to function. As Lijphart (1999:306) stresses 'consensus democracy may not be able to take root and thrive unless it is supported by a consensual political culture.'

Despite ND's assurances that it would initiate and promote a social dialogue and that it would open up the policy-making stage to all of the interested social actors, there was no real attempt to establish a broad corporatist system. During that period, the Greek case was characterized by two features: the exclusion of both unions and management from the policymaking process and the clear preference of both sides for confrontational methods of settling their differences. Thus the Greek institutional context was dominated by simple polity elements: expressed preference to single party governments, political polarization, statist practices with no intention of introducing a corporatist system and a traditional unitary institutional structure.³⁸

Privatizations Completed by the ND Government (1990-1993)			
1990	1991	1992	1993
Olympic Catering	Halkis Cement	Aget-Heracles Cement	Hellenic Sugar
	Cambas Winery	Eleusis Shipyards	Neorion Shipyards
	Elvim Transformers		Bank of Athens
	Piraeus Bank		Astir Hotel Group
note 1: 11 SOEs were privatized raising \$ 567 million US (137.3 billion drachmas)			
note 2: 10 were privatized through a direct trade sale and Hellenic Sugar was floated (IPO)			
FIGURE 4.2		Source: Privatization International Yearbooks 1993-1994	

³⁸ One of the most important features of a simple polity is the practice of majoritarian politics. Although Greece had most of the characteristics of a simple polity, at the given time it only lacked the feature of majoritarian politics. This was the result of the proportional electoral system, established by the previous (PASOK) government, only a few months before the 1989 elections. Indeed, although ND actually obtained more than 46% of the popular vote in the 1990 elections, due to the proportional electoral system it was only able to secure the slightest possible majority of one MP.

The first wave of the Greek privatization programme took place during the ND government years (figure 4.2). In its three year reign the Mitsotakis government placed privatization at the centre of the political agenda. Having examined the domestic privatization discourse it is unquestionable that the PM and ND party leader systematically linked the application of privatization to the EU effects through a series of manifestos, press releases, speeches and interviews. Drawing from the domestic discourse, in the case of OTE, the government made a considerable effort to implement its privatization plan by associating it with EU constraints, by mentioning either the need to adjust to the single market or meet the requirements of the EMU criteria. Thus, the hypothesis on the type of discourse produced in simple polities is fully confirmed as the government, the political parties and the national actors involved in the privatization process participated in an ongoing communicative discourse where they made their overall views known directly to the public.

It would be logical to argue that as the OTE privatization attempt eventually collapsed,³⁹

³⁹ There is not much agreement on the reasons that the OTE privatization eventually collapsed. The Transports Minister, Anagnostopoulos, argued that in the privatization of OTE the government failed to convince the society about the necessity of the reforms at the given time. He mentioned (Personal Interview) that 'the sociopolitical environment in Greece during that period was not mature mainly because of the furious response by PASOK and the labour unions who were committed to it. Unfortunately, during that period we were trapped by the reaction of the entire society. PASOK and the unions created a false impression; they cultivated an untrue atmosphere and managed to pass their message to the people that such structural reforms were threatening to the well being of society. And in order to pass such reforms a social consensus is more than necessary.'

However, a different explanation is given by Manos, who disagrees with Anagnostopoulos' assessment of the events. Manos argues (Personal Interview) that 'the unions were against the privatization process, but this was not an impervious obstacle. My view is that –disregarding what many of my colleagues believe– the unions are a problem, but not an insurmountable one. They are only a difficulty that can be overcome. Unfortunately many people anticipate that it is insurmountable and this gives them a fine excuse for not doing anything... OTE's privatization was cancelled because the government, in fact it was Mr Mitsotakis himself, decided to resign...the reason why he [Mitsotakis] resigned was because ND had only 151 MPs. One MP [Sympilidis] resigned citing OTE as the reason.' In other words, Manos argues that if the government had a larger overall majority, despite the public outcry, the hurt interests of the big businesses, the exclusion of the labour unions from the policy process and the lack of transparency the actual OTE privatization would have been performed.'

When assessing the reason why Mitsotakis resigned and the privatization of OTE collapsed, Manos does not hesitate to point to the crucial role of the interest groups. He notes that the resignation of the final MP was associated, in some way with the interests of the main supplying company of OTE, Intracom. More specifically he states (Personal Interview) that 'I believe that he [Sympilidis] did it because it was beneficial for some people. In fact, others could have helped him in his decision. Many things were said during that period. For example, the two supplying companies, Siemens and Intracom felt that their interests were hurt...This is one of the main reasons that has led Mr Mitsotakis to believe that his fall from power was either provoked or precipitated by the supplying companies. I do not know the truth. It might be as Mr Mitsotakis argues. All I know is that the supplying companies were very unhappy with the decisions of the government, but this was not a reason for the government to yield to their pressure.'

the linkage to the EU constraints was insufficient on its own to gather enough support to perform the policy. Despite the fact that the Greek government wanted to adjust the national economy according to the requirements of a single European market, it was unable to achieve it. Ideologically there was no political consensus within the parliament whether that regarded the direction of public policy or the details of the reforms. ND failed to build any considerable political and social consensus to start any kind of social dialogue but attempted to enforce its own plan without informing the public about the benefits it would bring to the country. Trade and labour unions manifested their strong disagreement by blocking the measures that were –according to their beliefs- threatening their interests. The systemic privatization reforms that the ND government had announced triggered their immediate and united response since privatization had been associated with removals from the public sector and unemployment. In fact, privatization had become a synonym for social upheaval since all of the other political parties synchronized their actions with the trade unions and managed to build a very broad and dynamic anti privatization advocacy coalition. If we add this to the fact that ND had a very fragile majority in parliament, that the PM did not maintain party unity and that the government failed to create a pro-privatization coalition we can give a concrete explanation of the failure of the ND privatization programme which led to the collapse of the government and the partial split of the party. Such an assessment of the facts verifies the absence of a coordinative discourse in simple politics and further confirms the hypothesis under examination.

From his point of view, Mitsotakis seems to verify such a scenario since a few days after his government collapsed he claimed (Mitsotakis:09-09-93) that 'the sectional groups demonstrated a fanatical egoism, in defending their unfair privileges. They impeded with their stubbornness every governmental change despite the fairness the reform would establish. Therefore, they multiplied the political, economic and social cost of all these required reforms. The economic actors were used to safeguard their interests and benefits by creating or utilizing the media against our reforms. More specifically, they passionately opposed our privatization programme which they attempted to slander. This happened only because when a company is not any more under state control, its suppliers do not have the capability to take advantage of their good relationships with the government and become quickly rich.' Furthermore, when he was asked whether he believes that Kokkalis' disagreement with OTE's privatization was the main reason his government collapsed he replied (Mitsotakis:06-10-93) that 'with our decision to privatize OTE and allow the strategic ally to decide which company will supply OTE with digital devices, we immediately had Mr Kokkalis against us...after that I do not know how Mr Kokkalis reacted.'

In a similar manner, the Economist's 'Foreign Report' (Eleftherotypia:26:09:93) stated that 'Greek businessmen with a lot of influence were against the government's privatization plan and were involved in the operation to remove ND from power...these businessmen supported Antonis Samaras, the former Minister of Foreign Affairs, who convinced two ND MPs to withdraw their confidence from the government. In fact a POLAN dignitary mentioned that among the supporters of their party is Mr Sokratis Kokkalis, owner of Flash Radio Station and President of Intracom (the main supplying company of OTE).' According to the above, Kokkalis was not willing to jeopardize his company's economic future since, if the privatization plans were applied, his company would not be guaranteed to keep on supplying OTE.

Chapter 5: Ireland 1992-1997, TE's Privatization as an Adjustment to the Market Needs

5. Introduction

This chapter examines the period that established Ireland as the European economic miracle and the 'Celtic tiger' (Powell:2003). The period 1992-1997 may be considered as an example of compound politics. The political picture included four parties in office, in two different coalition governments (FF-Labour, FG-Labour-DL) without any general elections in between and the achievement of two broad corporatist agreements. It tests and largely confirms the second part of the hypothesis arguing that in compound politics privatization is presented as a socially acceptable managerial adjustment to market needs. In doing so, it evaluates the telecoms privatization discourse of each government separately and assesses the reactions of a series of national actors involved in the policy-making process.

5.1 The pro and anti-privatization agenda in the 1992 elections

Before the 1992 general elections, privatization was one of the main issues dividing the Irish political parties. On the one hand, the PD and FG were the only parties that openly favoured the adoption of privatization as a means of modernizing the public sector and raising revenues for the state. On the other hand, although the outgoing FF-PD government had already completed the privatization of some small SOEs, the actual term 'privatization' was still kept out of the FF electoral manifesto.

In an attempt to present a fresh plan for government, FF outlined (IT:12-11-92) a six point policy proposal for national progress through the creation of a '£750 million fund.' The overall purpose was to use the fund for job creation, education, roads and transport, social progress, tax reform, the quality of life and peace and development without entailing extra state borrowing or taxation. The FF plan anticipated the setting up of a holding company through the national treasury management agency, which would (IT:12-11-92) 'eventually acquire the state holdings in SOEs such as Irish Life, Greencore, ICC and ACC and advance £375 million for job creation projects on the strength of the collateral.' The other half of the amount of the fund would be matched by the EU cohesion and structural funds. In other words, although a form of privatization was spelled out to draw resources to create the fund, the term as such was not formally used. The Taoiseach Albert Reynolds was very optimistic about the effect the fund would have in job creation and argued (IT:12-11-92) that 'it would unlock the country's resources and make them work for the people.'

In the meantime, the Labour party shouldered the weight of the anti-privatization campaign and its leader Dick Spring repeatedly argued (IT:14-11-92) that Labour 'opposed privatization as a general principle.' Contrary to what FF was putting forward, Labour proposed the increase of the level of government borrowing slightly in excess of the Maastrich Treaty requirements, as a short term measure, in order to stimulate the economy and deal effectively with unemployment. Spring clarified that Labour was not hostile to the private sector but he aspired to (IT:14-11-92) 'a dynamic public sector in Ireland working hand in hand with a competitive, profitable private sector.' He argued (IT:12-11-92) that the proposed FF fund would mean 'the backdoor privatization of the ACC, ICC and the remaining state shareholdings in Irish Life and Greencore.' Similar statements were also made by Pat Rabbitte, leader of the Democratic Left (DL), who noted (IT:12-11-92) that in many respects the FF manifesto 'resembles one of these fire-damage/liquidator's furniture sales which have been condemned by consumer groups.'

While the opinion polls were showing an increased popularity of Labour at the expense of FF, their leaders were engaging in a vigorous exchange of statements. The Taoiseach criticized the Labour party for failing to indicate where they would find the resources for the increased spending and Labour condemned FF for its ineffective policies while in government. In fact, one day before the actual election, Spring ruled out a potential coalition between Labour and FF claiming (IT:24-11-92) that the latter led a 'dirty tricks campaign' and regarded such a coalition (IT:24-11-92) as 'practically unworkable.' At that stage the FG leader, John Bruton, proposed a 'Rainbow Coalition' involving three parties: FG, Labour and the PD.

The opinion polls were largely verified in the November 1992 elections since FF and FG saw their percentages shrink by 5%, with the former obtaining 39,1% of the votes which was the party's worst electoral result since 1927. In contrast, Labour gathered a remarkable 19,3% of the votes and more than doubled its Dail representation and was able to negotiate with the other parties from an advantageous bargaining position whether it would form a coalition with FF, or with the 'rainbow' parties.

One day after the elections, Spring admitted that the issue of privatization was one of the most important disagreements between Labour and the other political parties. He clarified that there were great difficulties in forming a coalition between Labour-FG and the PD, as there were many ideological disagreements in terms of policy direction and (IT:30-11-92) 'privatization is one that comes to mind very quickly.' Eventually, after intense negotiations and bargaining which lasted approximately 5 weeks and despite their polemic statements during the electoral campaign, FF and Labour agreed to form a coalition government.

5.2 TE's alleged strategic alliance

Immediately after taking office in 1993, the new coalition had to respond to the opposition parties and the media that claimed that the FF-led government was seeking to sell a stake of TE under procedures that lacked transparency. The whole issue arose after the Taoiseach, Albert Reynolds, held a number of informal meetings with Lord Grey of the British company Cable and Wireless which was identified by the press as a possible investor in the national telecoms. It was then that the government admitted that TE had entered into preliminary discussions with Cable and Wireless. The purpose being the establishment of mutually beneficial links and exploration of a joint venture or some form of strategic alliance, but it made it clear that privatization was not on the agenda. In fact the Tanaiste and leader of the Labour party, Dick Spring, was adamant in claiming that privatization of the telecoms was ruled out by the Programme For Partnership Government and stated (IT:25-05-93) that 'from the point of view of the Programme For Government, and the two parties working together, it is just not on the agenda, and it is not going to be put on the agenda. If FF insisted on including it, they will not be in government with the Labour party.' Spring noted that the telecoms are the property of the Irish people and (IT:25-05-93) 'it does not belong to its management or anyone else. It is one of the most important assets we have, and the government would be failing in its duty if it were to be seen to be looking for a fast buck by selling off part of such an important strategic asset.'

Despite the government's dismissing the allegations of TE's privatization they sparked reactions by political parties and labour unions. Although most of the opposition parties including FG and the PD supported the invitation of a strategic alliance in the national telecoms, they accused the government of secret negotiation procedures. The unions responded dynamically and clarified that they would not tolerate the giving away of the national telecoms without their concurrence. The Civil and Public Service Union's (CPSU) Director, Pat Waine, called the Finance minister, Bertie Ahern, to make a clear statement about the government policy with regard to the media reports that TE would be privatized. Waine stated (IT:11-05-93) that 'such reports were devastating for telecom staff, who were highly suspicious of the government on the issue of privatization.' In a similar manner, the General Secretary of the Communications Workers' Union (CWU), David Begg, said that the unions had not been informed about any discussions and stressed (IT:24-05-93) that they 'would oppose with all the means at our disposal any selling off of part of telecom to the British group.'

The government via the Minister for Transport, Energy and Communications, Brian Cowen, assured the Dail (Dail:01-07-93) that 'no proposals for the privatization of TE arose during those discussions.' Cowen insisted (IT:24-05-93) that 'the government is not aware of any bid by the BT

group, Cable and Wireless for a stake in TE but discussions are going on about technological co-operation which may result in a joint venture, or a strategic alliance, between the two bodies.' In fact he argued that the basis of those discussions was within the framework of the Programme for a Partnership Government and reminded the Dail that the programme declared that (Dail:25-05-93) 'we will implement the principles regarding state enterprise set out in the Programme for Economic and Social Progress, and guarantee that the main strategic utilities and enterprises remain in the ownership of the Irish people, while having the freedom to enter joint ventures with the private and co-operative sectors.'

The claims that the government was considering the sale of a minority stake, without having informed the Dail, were verified in February 1994, when Cable and Wireless submitted a formal offer for the acquisition of 25% of TE under the agreement to form a strategic alliance. The Taoiseach defended the policy choice by describing it as a sensible way of protecting the vital interests of the company and its workforce as there was a growing need to provide customers with efficient and wide-ranging services. He stressed that alliances, mergers and acquisitions were all international developments which TE could not ignore and added that it would not be in the interest of the national telecoms company, the Irish taxpayers and consumers if TE remained detached from such advancements. One of the government allies in this development was IBEC which called for the inclusion of privatization of state companies on the government agenda. IBEC's president, Tom Jago, stated (IT:27-04-94) that privatized companies 'would almost certainly become more cost effective and market oriented.'

In order to justify the discussions with Cable and Wireless, Cowen cited the Programme for Competitiveness and Work which (Dail:03-03-94) charged SOEs with 'the delivery of services which are efficient, effective and able to compete in the markets they serve.' In this context and arguing that his actions were completely in line with the government's mandate, Cowen immediately requested from the TE board to complete within six months an examination that would fully evaluate the role, nature, scope and structure of strategic alliances with all the potential partners. As part of this assessment the board had to take into account the Cable and Wireless proposal for the acquisition of 25% of TE. Cowen emphasized that the government would do everything possible to ensure a conscious strategic decision and would not limit TE to the first offer that was formally made. This was evident in the TE Corporate Plan 1994-1999 which indicated that, in addition to the discussions with Cable and Wireless, the company should carry on preliminary talks with several other potential formal allies. Thus the government legitimated its decision to start the procedure for the search of a strategic ally on the basis that it would benefit the company and make it more responsive to market needs.

The unions' apprehension was reinforced as their suspicion that the government had proceeded with discussions with Cable and Wireless was completely verified. After the announcement of the formal offer made by Cable and Wireless, the CPSU (IT:04-03-94) 'accused Cowen of trying to bring about the sneak privatization of TE.' The TE unions began a campaign opposing any form of privatization or strategic alliance something which was exemplified by the CPSU President, Steve Fitzpatrick, who proclaimed (IT:05-05-94) that 'the company should not be allowed to get into bed with the first cash-rich suitor looking for a bargain.' Previously, Paul Sweeney a senior economist of SIPTU's research department had warned the government (IT:04-11-93) that 'if the workforce in an organization is committed to continued public ownership it is difficult for any government to go over the heads of a hostile workforce.'

In a similar manner, the opposition asserted that the government was attempting to take everybody by surprise in order to complete the privatization. Eamon Gilmore of the DL stressed that his party was against the current proposal and invited the Tanaiste to keep his word and withdraw the Labour party's support from the government, as he had promised to do in case privatization entered the agenda. Gilmore attacked FF and claimed that it was making an attempt to deceive the Dail and the public concerning the privatization process. More specifically, he said (Dail:03-03-94) that 'no doubt anxious to avoid the political embarrassment of their coalition partners, both the Taoiseach and the Minister for Transports told this House this morning that they did not know about the Cable and Wireless proposal until 9.30 last night. This statement is simply not true. Not only did the Taoiseach know about the Cable and Wireless interest in Telecom but he was instrumental in teeing it up at a meeting in 1992 with Lord Young, the Chairman of Cable and Wireless... The Government is now trying to tell us that despite widely reported and acknowledged meetings between the Taoiseach and Lord Young at which TE was discussed, the Cable and Wireless attempt to buy into TE was never on the agenda — that despite widespread newspaper reports of the Cable and Wireless bid, both the Taoiseach and the Minister were taken completely by surprise at 9.30 last night. That kind of subterfuge is not acceptable. The sale of part of TE, in this case a part of the company's most profitable international business, was no surprise to the Government. It was hatched out in the Taoiseach's talks with Lord Young.'

It was clear that the way that FF handled the whole negotiation process concerning the formation of a strategic alliance raised questions about its real goals and the possibility of a hidden agenda. FF did not convince the Dail and the press that it had not discussed the prospect of selling a minority stake to the British company Cable and Wireless. In fact, it was widely believed that TE was not only considering a strategic alliance but was actually evaluating the benefits of selling a percentage on the basis of such an agreement. As a result, FF's credibility and the government's

unanimity were questioned and the ideological dispute between the two governing parties had grown.

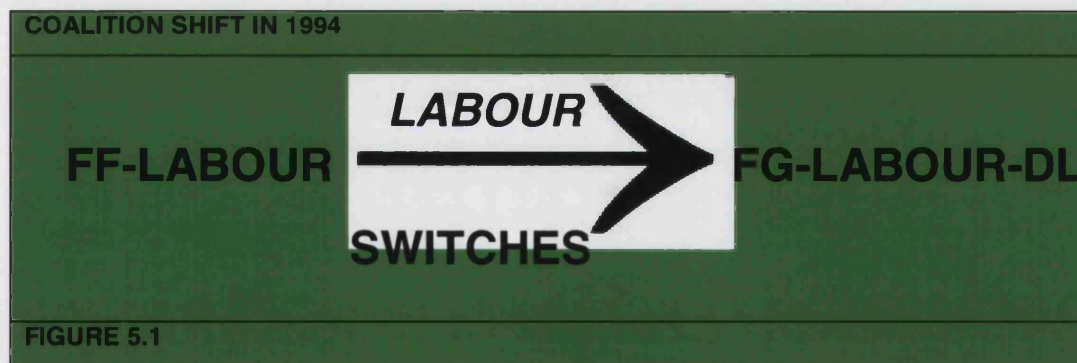
Moreover, the coexistence of the two parties in power, with their clear ideological differences on the issue of privatization, proved to be troublesome. On the one hand FF was willing to proceed with the partial privatization of TE, but on the other Labour had committed itself to withdraw from the coalition if the issue entered the government agenda. Evidently the government's ability to coordinate its actions on the specific issue was limited, as the disagreement between the two governing parties was a major hold-back in public statements and the Dail discussions. In any case, the government repeated that its actions were consistent with the Programme for Government which underlined that SOEs would remain in the ownership of the Irish people, but had the freedom to enter joint ventures with the private sector. The spokesman of the Tanaiste, Spring, defended both the Labour party specifically and the government collectively noting (IT:04-03-94) that 'the government is not considering privatization. It is considering strategic alliances which are provided for in the Programme for Government and will only be proceeded with after discussions with the trade unions.'

In the meantime though, in two specific cases, the ideological gap separating the coalition partners on the issue of privatization was bridged. In 1993, the government agreed with the social actors to privatize the Irish Life assurance group, where (IT:17-04-93) 'the sale reduced the state holding in Irish Life from 33,6% to 15%.' Furthermore, a couple of months later it completed the privatization of Greencore, the Irish Sugar Corporation. Initially, Labour was criticized by the opposition for having no influence on economic planning as it had traditionally contested privatization. In effect though, not only was Labour unable to prevent it, but it actually endorsed it as there was an agreement between the government, the unions and the management to privatize them. Due to the consensus reached among the actors involved during the coordinative discourse, these privatizations were not an area of a heated political dispute. In contrast, they were considered as a necessary step for the well-being of the companies involved.

Although all the privatization revenues were used for budget purposes, the government did not legitimate it on such grounds at any point. Since the privatizations were a product of widespread agreement between political, social and economic actors there was no need on behalf of the government to proceed with a concentrated communicative discourse that would justify its policy choices to the public. As a result of these privatizations the coalition was able to achieve immediate fiscal results and was the first government since 1967 that produced, in 1994, a budget surplus. Only the Irish Life privatization (IT:17-04-93) 'raised more than the two thirds of the £150 million the government aims to generate from asset sales this year.' In addition, the

privatization of Greencore (IT:01-05-93) and 'the sale to the institutional investors raised £70 million for the exchequer and together with the £100 million raised from part of the state's holding in Irish Life, means that the Minister of Finance Mr Ahern, has raised £20 million more from asset disposals than the £150 million included in the budget figures.'

The cohabitation between FF and Labour lasted almost two years as their tensed relations and ideological differences did not allow them to collaborate for a longer period of time. In December 1994, Labour withdrew from the FF coalition due to its disagreement with Reynolds' proposed candidate for the President of the High Court and its disapproval of a number of scandals involving the beef industry. Ahern briefly succeeded the Labour leader Dick Spring as the acting Tanaiste and eventually replaced Reynolds as FF leader. At that stage negotiations for a resumption of government with the Labour Party began immediately, however the latter decided to form a coalition with FG and the DL thus sending Ahern and FF to the opposition seats. FG and Labour agreed that the DL would be a better coalition partner in the 'Rainbow Coalition' than the PD which initially participated in the discussions since they agreed on more issues with the former than the latter (figure 5.1). This was possible because after certain successful by-elections, Labour was able to form an alternative coalition government without FF. For the first time in Irish politics there was a change of government which was not preceded by a general election.



5.3 Forming the 'Rainbow Coalition' and agreeing on the TE strategic alliance

The 'Rainbow Coalition' immediately underlined the need to maintain strict limits on current government spending, much below the Maastricht goal of 3% of the GNP. It intended to apply an economic programme that would help build an innovative enterprising economy which would meet the demands of international competition and share the rewards of effort, initiative and success. Initially there were questions whether Labour and the DL would oppose privatization but eventually it was stated that privatization would only be performed in cases where it was

considered to safeguard employment. As a matter of fact, the 'Government of Renewal' document in paragraph 21 spelled out (Dail:21-02-95) that 'state assets will not be sold except where it protects employment and is in the long term strategic interest of the company and its stakeholders. Any resources released as a result will be used for job creation. We will retain majority state ownership in these companies.' The FF leader Bertie Ahern noted (IT:17-12-94) that the 'people will be very interested to see to what extent they (Labour and DL) have effectively traded in their policies for seats in government and whether insistence on their demands will impose a new burden on the state and the taxpayer.'

The 1994 new coalition government was determined to achieve its goals as set in the 'Government of Renewal' and this was manifested at once as within one month it concluded the third consecutive broad national corporate agreement. The 'Programme for Competitiveness and Work' (1994-96) succeeded the Programme for Economic and Social Progress (PESP) and contained commitments regarding wage increase in the public and private spheres and other benefits for the labour workforce. This was a great accomplishment for the Rainbow Coalition since there was considerable doubt that a further national agreement would be reached after the termination of the PESP, mainly because ICTU was sceptical about the intention of the previous government to fulfil its obligations.

The Rainbow Coalition anticipated the provision of effective telecommunication services as they were critical for the country's economic development and employment growth. It stressed that if the country did not offer efficient and up to date telecommunication services there would be serious consequences for the entire national economy including highly skilled employment required by industry and services. Also, in order to compete within a liberalized market, TE was in need of additional equity to keep in pace with technological advances and expand its services as well as cater growth and improve competitiveness. The company's management, in cooperation with the government, had excluded the possibility of borrowing money or injecting state aid. Apart from some limited funding through the EU Structural funds the company did not have access to any other equity and thus it was essential to find alternative ways to self-fund its investment programmes without increasing consumer charges. Hence, privatization of a minority stake of the company had gathered a lot of supporters within the company and the government as a solution to help it self-fund its investment programme.

The government justified its decision to pursue a strategic alliance rather than a flotation on the grounds that (Dail:05-03-96) 'the flotation for cash philosophy does not address the crucial long-term strategic issues. The strategic alliance concept seeks to enhance TE's strengths in addition to addressing those areas of relative weakness in the company.' It was argued that the ever

increasing need to improve the company's efficiency and effectiveness in the provision of services in combination with the technological and managerial expertise of a strategic investor would help the company modernize and develop further. The Minister of State at the Department of Social Welfare, Bernard Durkan, was a firm supporter of the government's privatization policy, but noted (Dail:12-03-96) that 'it is correct to state that an alliance is not the panacea for all the ills that face TE. It is, however, the Government's view that an alliance is an essential ingredient of a multi-dimensional approach to tackling the problems of Telecom.' Finally, the Minister for Transports, Michael Lowry, repeated (Dail:26-07-95) that the 'alliance must be equity based and it is my intention that the requirements of TE's balance sheet will have first call on any proceeds arising from equity sale. But it will be made clear to all of the interested parties that TE will remain in majority public ownership.'

The Rainbow Coalition assured the Dail that in its discussions with the potential strategic partners the maximization of sustainable employment would be among the most significant issues on the agenda as that was the commitment of the 'Government of Renewal.' Lowry made it clear that the strategic partner would have to demonstrate a long term commitment to the Irish market and contribute to the overall national policy goals and enable TE to become a major player in the new liberalized market. He summarized the government's objective regarding the strategic alliance by saying (Dail:29-03-95) that 'my concern is to find a strategic partner for TE who can expand, develop and create further opportunities for TE in the home market and, through its alliance with an international partner, on the international scene.'

Finding a strategic partner for TE was a key part of the Rainbow Coalition's 1995 agenda, and it was prepared to take all the necessary preliminary actions that would advance the process. Starting in March 1995, the TE Board submitted its report regarding the company's future business strategy which included the official recommendation in favour of the strategic partnership. As the report was in line with the government's plans, consultation with the unions and affected interest groups began without delay signifying the peak of the coordinative discourse. In July the Rainbow Coalition presented a mandate for the conduct of the negotiations and the procedure that would be followed regarding the selection of an ally. Among others it underlined that an incoming partner should be found as soon as possible in order to help the company achieve its overall policy objectives and improve telecom services in the country.

The mandate anticipated the privatization of up to 35% of the company's equity to an alliance partner as a means of cementing the relationship between the former and the latter. It also stated that, subject to certain conditions, the shareholder would be willing to set aside up to 5% of the company's share capital for an employee shareholding scheme. This was a policy choice in order

to ensure that the TE employees would not object to the privatization, but would actually be committed to support the plan. The employees had been witnessing the success the company was enjoying and its potential to grow even more and wanted to receive part of the benefit. Simpson and Eisman (2000:109) indicate that 'following this broad agreement, the company and the union coalition moved forward to settle the detail of the transformation framework...these discussions led to a comprehensive collective bargaining agreement called the Telecom Partnership, which contained a number of measures designed to make the company more competitive and profitable. These measures were primarily aimed at reducing costs, improving work processes and stimulating growth.'

Although FF welcomed the coalition's decision to find a strategic ally, it questioned the way the whole process was handled by the minister and the fact that the government was composed of three parties, two of which were initially against privatization. Concerns were also raised by the company's former chief executive Dr. Michael Smurfit, who criticized the type of sale envisaged by the coalition and characterized it as a defensive strategy. He argued that in terms of business expansion a more aggressive approach would be more beneficial to the company. According to Smurfit, apart from selling, TE should have considered the prospect of acquiring a stake in the company with which it would form a strategic alliance. In any case, there was agreement among the political parties not only regarding the government's decision to invite a strategic ally, but also that the equity raised should be utilized for TE's further investment exclusively.

By July 1995 although the three coalition parties had agreed in principle to sell up to 35% of TE there were alleged disagreements among them that were delaying the process. It is characteristic that the Finance Editor of the Irish Times, Cliff Taylor, wrote during that period (IT:27-07-95) that 'telecom must be starting to fear that by the time the wedding bells sound its dress will have faded. It is vital for the future of telecom that it ties up a deal with a partner as soon as possible.' The government categorically denied any internal split among the coalition parties regarding the strategic alliance. It stressed the need to complete the privatization, and as Lowry argued (Dail:26-07-95) 'it is nonsense to suggest that there is any division in government on the question of the strategic alliance as it is at one on this issue. The strategic alliance is a key element of building a telecommunications sector which will offer consumers world class services. Anything else risks compromising our capacity to compete in the global marketplace.'

The government did not fail to mention in its communicative discourse the critical role of the EU in shaping the national developments in the telecoms sector. Although privatization was not an EU requirement the Rainbow Coalition considered that a strategic partnership would strengthen TE and make it more competitive in the international scene. Lowry stated (Dail:26-07-95) that 'the

drive for alliances and the increased competitive thrust in telecommunications generally is being accelerated by actions taken at EU level where each month brings new proposals and initiatives for sectoral liberalisation...Put simply, the Commission is no longer prepared to sit and wait for the member states to take the necessary action. It is taking a lead role in systematically opening up every aspect of the sector to competition...Our task is to recognise and adapt quickly to these trends and to make the best of the emerging situation which holds so much promise for the economy generally...Therefore, the need for an alliance is without question at this stage. Nor can there be any question of a delay or a lack of commitment by the government to the business of finding a suitable partner for TE.'

5.4 TE's privatization

The Rainbow Coalition had guaranteed in the 'Government of Renewal' that privatization would be adopted only if it safeguarded employment. However, the restructuring of TE required the significant reduction of its workforce and the government was seeking ways to reduce operating costs including staff costs via early retirement programmes and voluntary severance schemes. Lowry constantly repeated (IT:13-01-96) that the government's 'priority is to ensure that the maximum number of jobs are protected and that the new partner brings with it new job opportunities.' It justified its actions on the basis of greater efficiency in the company which was an urgent issue in recent years due to the rapid technological progress and the need to compete within a liberalized EU market. The TE Chief Executive, Alfie Kane, asserted that the company had to decrease its employees and target in further cost reduction. Kane stated (IT:13-01-96) that 'it is inevitable that we will have to have rationalization and that jobs will be lost.'

The process that would lead to the partial privatization of TE had formally begun in the first months of 1996. Initially, ten parties expressed an interest in the exploratory talks stage, but within a few months the number had been reduced to two. The withdrawal of British Telecoms (BT) raised serious concerns, because in the beginning it was considered to be the favourite. The opposition condemned the Rainbow Coalition for mishandling the procedure and asserted that eight of the potential partners -including BT- had withdrawn from the process. FF's spokesman and former minister of Transports, Seamus Brennan, asked (Dail:12-03-96) 'the minister to call off this farce of a competition that now remains...Government policy on the future of TE is a shambles...The 15 month ideological tug of war within the Cabinet has resulted in the best partners for TE withdrawing from the race.' Similarly, the PD expressed their concern because two of the coalition parties, Labour and DL had initially disagreed with the privatization. Moreover, the PD called for the public flotation of the remaining 60% of the company. Its finance

spokesman, Michael McDowell, asked for a bolder privatization plan and questioned (IT:12-03-96) 'what interest would be served by the state retaining a two thirds interest in Telecom?'

In March the government received preliminary proposals for the acquisition of 35% of TE by two parties: KPN and Telia, a Dutch and Swedish consortium and Teledanmark, the Danish public telecommunications operator. On the one hand, the opposition accused the government for opening negotiations with companies that did not possess the requirements set in relation to technical know-how and strategic capability. In fact they denounced the process claiming that the two companies that made preliminary proposals were unable to help TE expand since they were regarded to be extremely minor on the international scene. Brennan directly contested the ability of the two potential partners to offer technological innovation to TE by stating (Dail:28-05-96) that 'I do not believe Denmark, Sweden or Holland can offer TE any technology which it does not already have.' On the other, the government accused FF for its inaction and failure to complete such a deal during its stay in power and claimed that the process should have been concluded in the early 1990s. Lowry replied to the FF allegations stating (Dail:28-05-96) that 'through the inaction, incompetence and the ineffectiveness of my predecessor, many opportunities to form an alliance with some very strong international companies were lost...We still have two companies with very strong bids. They have a high reputation on the international telecommunications scene.'

The Rainbow Coalition asserted that the successful bidder would assist TE in the company's preparation to compete in the liberalized EU market and to develop internationally. A prospective strategic alliance with KPN-Telia would provide TE access to the Unisource network which was a consortium of European telecommunications companies, in which both KPN and Telia participated in cooperation with Swiss Telecom and Telfonica de Espana. In addition, Unisource had teamed up with AT&T, the largest global telecoms company, to form Uniworld. This combination proved to be a very significant and attractive factor to the Irish government which wanted its national telecoms company to have an ally that would help it modernize and expand services internationally. Confirming the KPN-Telia bid, Stig Johansson, Director of International investments for the Swedish state-owned phone company Telia, told Reuters (IT:19-03-96) that 'the Irish government thinks that TE needs a strategic partner with experience of deregulation and competition. It needs a partner that will give it global connectivity, especially for business customers.'

Before the government received the preliminary bids it had already raised the stakes high regarding the revenues it would gather from the privatization. According to the Irish Times, in the 13th of January 1996 it expected 'to raise between £400 million and £500 million from the sale of

35% in telecom... £220 million from the proceeds of the sale will go to TE...The remainder of the proceeds are expected to offset the exchequer's estimated £250 million liability to TE's pension fund.' However, by March the amount had been halved and the Reuters news agency published comments made by Johansson, who said (IT:19-03-96) that the initial bid by Telia 'involves an investment of about one billion crowns (about £95 million)'. As the final shape of the consortium involved an equal partnership between Telia and the Dutch company, KPN, it was obvious that the KPN-Telia offer would be just under £200 million which was well below the original target. After the government had some indication of the height of the bids, Lowry argued (IT:18-03-96) that 'the figure of £500 million had been plucked from the air...nobody would have been in a position up to now to say what a 35% stake would be worth.'

The opposition accused the Rainbow Coalition of undervaluing the company and FF clarified that it would oppose any panic sale of TE. The Irish Times questioned the deal and argued (IT:19-03-96) that 'two years ago the British telecommunications company Cable and Wireless made an offer of £460 million for a strategic stake in Telecom.' Lowry dropped into defensive mode and declared that the figure presented as the KPN-Telia bid was inaccurate but refused to disclose the exact amount, citing confidentiality agreements. More specifically he stated (IT:21-03-96) that 'the preliminary bids are only indicative figures and there is a lot of processing and evaluation to be done before there will be a final definitive figure.' Lowry expressed the government's optimism and determination to finalize the deal and mentioned (IT:18-03-96) that 'it was hoped to have a strategic alliance in place by the end of the year.'

During the negotiations there was an in-depth coordinative discourse involving the two potential partners, the government and the employees concerning the preliminary offers. As a matter of fact, the unions had access to the privatization process ever since it was initially formally announced, in an attempt to directly involve them and allow them to express their views and protect their rights. Hence, they were fully briefed on all key aspects of the alliance as they participated in numerous meetings with strategic consultative groups in the company together with the management. Nevertheless, the ESOP which they requested was rescheduled for a future privatization as the government's goal at the time was to conclude the strategic alliance only.

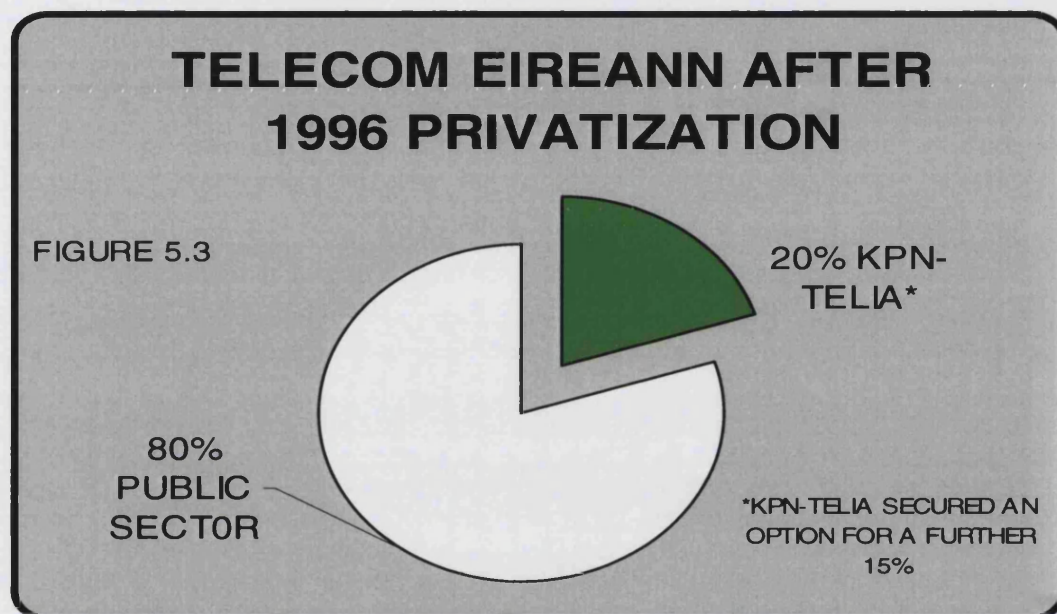
After considering the candidates and their proposals and negotiating further with each of the two parties the government assessed on the 26th of June 1996 that KPN-Telia should be selected as TE's strategic partner (figure 5.2). The TE chief executive, Alfie Kane, claimed (IT:28-06-96) 'that Telecom had found a good partner, a good strategic fit...the support of the unions was important and will help to consolidate the deal...the deal will allow Telecom to sharply reduce its debt, using

the £220 million of the sale price that has been earmarked for this process and freeing cash for investment and expansion.'

TIMETABLE OF TE'S STRATEGIC ALLIANCE	
February 1994	Cable & Wireless Proposal for 25% of TE
December 1994	Change of government
March 1995	TE Board recommends strategic partnership
January 1996	10 parties expressed an interest in the exploratory talks stage
March 1996	2 preliminary proposals for the acquisition of 35% of TE
June 26 1996	KPN-Telia selected as TE's strategic partner
FIGURE 5.2	

The government argued that the deal was structured in such a way so as to provide an incentive for all parties to accelerate the development of TE. Lowry underlined (IT:27-06-96) that '£383 million is the minimum the government will receive. The complex structure of the deal entitles the Government to additional payments if Telecom exceeds certain targets over the next three years.' He further stated that the revenues would be used to reduce some of Telecom's £600 million debt and to offset the state funding of the employees' pensions. According to the agreement KPN-Telia acquired at once 20% of the company for £183 million. However, the state would receive an additional £200 million for the exercise of an option on a further 15% of the shares (figure 5.3). Finally, through a profit-sharing formula the state would capture a 60% share of the gain on the strategic partner's investment over a certain threshold. The government believed that under this term, in case the company's business performance was according to plan, the deal would eventually produce overall proceeds for the state in excess of £500 million. The value of the strategic partner's investment would be determined either by way of public offering of some or all of the shares which were subject to the option, or by way of an independent valuation. KPN-Telia were not obliged by the agreement to exercise their option, but it would be in their interest to do

so if the valuation of the company's shares in three years time exceeded the option price.⁴⁰ In addition, the alliance incorporated a series of 85 initiatives regarding management input consisting of technical support, expert and managerial assistance, software and system improvements across all business categories. Other terms included the considerable reduction of the workforce via redundancies which would be agreed between management and unions, which KPN-Telia had requested as a means to cut operational costs.



After the publication of the deal, FF criticized the government for selling the company at a very low price and characterized it as the betrayal of the taxpayer. The FF spokesman, Brennan, argued that the deal did not reflect the true value of the company and stated (IT:27-06-96) that 'the real value of Telecom, even factoring the arrival of competition, is up at the £2 billion mark. That price would make 20% worth about £400 million' Brennan added that the complex deal, with the performance related payments, meant that there was a built in incentive for KPN-Telia to

⁴⁰ The strategic alliance process included a condition that derogation would be secured by state law until January 1st 2000. The provision of voice telephony services was defined in EU legislation and remained within the exclusive privilege of TE up to the 1st of January 2000. This was in compliance with the timetable for liberalization of the telecommunications sector in Ireland agreed with the European Commission in accordance with EU Directive 96/19/EC. In addition, the government took action by preventing Esat Telecom and other private phone companies from offering voice telephone services through TE's network to new customers. The July 1997 date for liberalization of alternative networks permitted other networks to carry liberalized traffic only but not voice telephony traffic which was strictly reserved for TE until January 1st 2000. The reasoning was that such a law would establish TE's dominant position in the Irish market and consequently drive the price of the company's stake higher.

restrict the growth in value of the company over the next three years. Likewise, Batt O'Keeffe, the second opposition spokesperson on transport and communications stated (Dail:02-07-96) that '18 months ago when a number of senior players had an interest in taking a stake in TE. The price being quoted at that time was £450 million...The Minister has received £183 million, which is one third of the price available two years ago. It must be seen as a let down for the Exchequer and the workers of TE that the Minister's intransigence and delaying tactics allowed a situation to arise where we really had only one suitor.'

The government did not deny the fact that such an offer had been informally submitted by Cable and Wireless in the past, but it noted that there were certain critical differences. Firstly, the Cable and Wireless offer involved the selling of 40% of TE not 35%. Secondly, it was made upon the condition that Ireland would maintain a five year derogation and would retain monopoly for a further five years. In fact Lowry defended the current agreement and emphasized (Dail:02-07-96) that 'over three years the proceeds to the state will top £500 million. The state in the formulation of this deal has the best of both worlds. It will gain immediate access to money which TE requires to invest in its infrastructure and the stake will grow in value in the longer term.' From a business perspective, the deal received a cautious welcome from industry analysts who were pleased to see the first major Irish privatization. The US merchant bank Salomon Brothers said (IT:28-06-96) that 'the deal which valued Telecom at £1.1 billion was fair. Although the consortium was paying slightly under the odds for the European telecommunications sector, the deal contained significant non monetary benefits for Telecom and the Government.'

Apart from criticism, FF expressed its surprise the two coalition parties did not oppose the privatization. More specifically, Brennan said (Dail:02-07-96) that 'there have been many questions about this deal, but the biggest question in my mind is how on earth the Minister got it past the Democratic Left and Labour parties.' Lowry's reply was that the deal had been met with resounding approval from all government partners including both the Labour and the DL. He noted (Dail:02-07-96) that 'the Deputy should be more magnanimous, more gracious. Instead of whining, moaning and groaning, he should face up to the reality that I have delivered what FF in Government failed to deliver, a strategic partner for TE, an exceptionally good deal that will bring TE and its employees into the future and prepare them for a competitive environment...TE, the Communications Workers Union and IBEC all believe it is a good deal. Independent financial experts believe it is a good deal.' The Irish Times (31-12-96) summarized that 1996 'was certainly a year which saw action. After five years of negotiations, four ministers and three governments, TE eventually made it to the altar with its chosen partner for the strategic alliance. It was a cliff hanger as a lot of the princes had left the party and Telecom was in danger of ending

up kissing frogs. But while KPN-Telia may not have been the first division player originally hoped for, Telecom is, nevertheless, stronger in this new partnership.'

Before the strategic alliance agreement between TE and KPN-Telia could take effect, a number of closing conditions needed to be fulfilled in order to seal the contract. Among them the primary one was the enactment of the Telecommunications (Miscellaneous Provisions) Bill 1996, which would include all the provisions permitting the sale of shares in TE as that was envisaged in the transaction documents. Once more Brennan accused the Rainbow Coalition, because (IT:27-09-96) 'the bill is seriously flawed in several respects and reflects the government's incoherent strategy for Telecom.' Again the government supported that the Telecoms Bill 1996 laid the foundation for the transition to open competitive markets in the provision of telecommunications services and enabled TE to meet the challenges facing it in the liberalized environment.

Furthermore, one of the bill provisions that caused tension dealt with the number of employee-directors participating on the 12 member TE board as it anticipated halving the workers' representatives from four to two. When the legislation was introduced by the minister, he said that although he understood the possible implications from an employee point of view concerning the reduction in worker representation, he was determined to carry it on. Lowry noted (IT:07-10-96) that 'such a solution was driven by the need to preserve effective control of the state's majority shareholding, the representational interests of the strategic partner, the objective of maintaining a small to medium sized board for the purpose of effective governance, and the need to have meaningful employee representation at the key decision making forum.' However, the TE unions were not ready to make such a concession and the spokesman for the Worker Directors Group of ICTU, John McGinley, argued (IT:07-10-96) that 'if the price of strategic alliance is a diminution of worker representation on the board, then the price is too high'

The bill was finally formed in such a way so as to include, in Section 10, a provision that enabled two directors to be elected under the Worker Participation Acts and an additional two alternate worker directors who were allowed to attend and participate in board meetings. In an expression of coalition unity regarding the bill provisions the Minister of State for Communications, Emmet Stagg, and Labour TD while discussing the bill enabling the part privatization of TE noted (IT:07-11-96) that 'I am glad to defend this transaction. We have a deal that is going to be good for Irish business.' As a result, in November 1996 the government passed the Telecommunications (Miscellaneous Provisions) Bill which made the necessary legislative amendments enabling the sale of equity in TE.

The Telecommunications (Miscellaneous Provisions) Bill provided a general reform of the telecommunications legislation adjusting it to the needs of a liberalized market. The critical role of the EU Directives was highlighted by the OECD (2001:38) as they required 'the main legislative changes that brought the legal framework for the facilitation of the transition of the sector from a monopoly status to liberalization, were the transposition of EU Directives into Irish law as well as the Telecommunications (Miscellaneous Provisions) Act of 1996...The European Commission has therefore played a major role in driving the regulatory reform in Ireland and in other EU Member States.' As a result, after the passage of the relevant bills the EU Commission gave clearance to the formation of the alliance.

Consecutive Irish governments ever since the 1980s had pledged to deal with the upgrading of the public sector in order to make it more efficient, economic and effective. The Rainbow Coalition was able to promote its agenda and (EUROFOUND:1997) by '1996 and 1997, a wide range of human resources management initiatives aimed at a complete transformation of the public sector launched by the Irish Government on foot of the most thorough review of public administration since the foundation of the State. ... The new plan, backed by legislation, [made] its mark on state-owned commercial enterprises, many of which [were] in the throes of painful restructuring, forced by EU deregulation and the demands of cost competitiveness.'

The Rainbow Coalition achieved its primary goal which was the growth of employment. As the FG evaluation underlines (FG website) 'the new administration effectively gave birth to the Celtic Tiger by successfully achieving: a huge reduction in the numbers unemployed and, by the time it left office, 1,000 new jobs every week, a continuing reduction in taxes (including Corporation Tax - this attracted an unprecedented level of inward investment.), a new emphasis on public enterprise, injecting a new ethos of 'value for money' and 'customer service' into public services... Thanks to Fine Gael and its partners in Government, Ireland became a more confident and more prosperous nation during these years.'

Finally, during the Rainbow Coalition time in office, the broad social partnerships covering pay and other economic decision-making matters had reached a 10-year-old practice. The government and the social actors involved benefited from the social and economic agreements, because they avoided the industrial conflicts that dominated the country in the past, and cooperated with each other in order to achieve economic development. The Rainbow Coalition furthered the consensus based policies of the past and in January 1997 signed 'The Partnership 2000' agreement, which contained a number of elements regarding (Taoiseach's website) 'enterprises and the modernization of the public service on the one hand and action for greater social inclusion and a new focus on equality on the other.' One of its central objectives was the

introduction of partnership models in both private and public sector employment. It also aimed to broaden the social and political consensus on other issues such as education, poverty and social exclusion and for the first time it included representatives of the unemployed and women.

5.5 Conclusion

After the 1992 elections Ireland maintained all of the elements attributed to compound polities, verifying that the institutional metamorphosis of the late 1980s was not only a transitory phase. A coalition government involving FF and Labour was formed proving that FF had truly endorsed coalition politics. The eventual withdrawal of the Labour party from the coalition and the formation of a new government with FG and the DL illustrated that the Irish party system was fairly characterized as a multi-party system. In addition, the accomplishment of the two broad social partnerships achieved by the Rainbow Coalition, the 'Programme for Competitiveness and Work' and 'The Partnership 2000' confirmed that political, social and economic actors were determined not only to maintain the corporate agreements, but actually open up the policy-making process to more social actors. It is clear that Ireland fulfilled the characteristics of a compound polity.

The cohabitation in power between FF and Labour was troublesome not only due to the polemic statements that the two parties had exchanged during the electoral campaign, but also because there were important ideological differences separating them. FF acknowledged some of the policy advantages that privatization entailed and was prepared to assume it under certain circumstances on a case by case basis. Prior to 1992, the FF led coalition government had performed some minor privatizations, but FF was not ready to use the actual term in its 1992 manifesto. Privatization as such may not have been spelled out, however a form of it was described as a means to draw resources and increase public spending without requiring extra state borrowing or taxation. In contrast, the Labour party was firmly against privatization and stood next to the unions in their struggle to veto any government propositions towards that direction, unless there was broad social consensus in favour of the privatization of specific SOEs.

The FF-Labour coalition performed the privatization of Irish Life and Greencore. In its communicative discourse, the government did not resort either to urgent budget needs neither did it appeal to EU constraints as a national strategic need when justifying it as a policy choice. Initially, the aim of the FF-Labour coalition was to employ the privatization receipts for budgetary purposes and legitimate it on the basis of job creation, education, roads and transport, social progress, tax reform, the quality of life and peace and development. However, as there was agreement among the governing and opposition parties and the social actors that the specific companies should be passed over to the private sector, there was no need to legitimate the policy

on any strategic grounds. This demonstrates the presence of an effective coordinative discourse, which in return removed the need for a far-reaching communicative one. Moreover, it verifies the assumption that in compound polities, privatization is legitimated on managerial adjustments without needing to reach out for strategic reasons or ideological bases.

Regarding the alleged strategic alliance with Cable and Wireless promoted by FF, the situation is rather different. FF was seeking to find a strategic ally for TE, but there was no agreement between the governing parties since FF and Labour had contrasting views on the issue. FF and the Taoiseach had deliberately not entered into the coordinative discourse phase as it was rather unlikely to reach an agreement with the unions concerning the details of the strategic alliance. In addition, the Tanaiste had made it clear that in case privatization entered the government agenda, his party would withdraw from the coalition.

Rather untypical for a compound polity, the main governing party attempted to justify the quest for a strategic ally in its communicative discourse. It based its assumption on arguments that privatization would benefit the company as it would help TE modernize and respond to market needs. It publicly argued that a strategic alliance was a sensible way of protecting the vital interests of the company and its workforce since there was a growing need to provide customers with efficient and wide-ranging services. In other words, the reasons given by the government legitimating the strategic alliance at that given time were purely based on the furtherance of the well being of the company.

At the same point, typical of a compound polity, the TE Board was an equal player in the privatization process and not the government's subordinate policy executor. This is verified by the fact that when the formal process was enacted, the Minister of Transports requested from the TE board to complete within six months an examination fully evaluating the role, nature, scope and structure of strategic alliances with all potential partners. Actually, this was required by the TE Corporate Plan 1994-1999 which indicated that, in addition to the discussions with Cable and Wireless, the company should carry on preliminary talks with several other potential formal allies.

Thus although the communicative discourse was more evident than in other cases during the short tenure in office of the FF-Labour coalition, the hypothesis is confirmed only to a certain extent, as the telecoms privatization discourse was legitimated on managerial grounds. Despite the fact that the government had not reached a certain level of consensus and was in need of additional arguments to convince the national actors and the general public, references to ideological or strategic reasons, like budget needs and EU constraints were only secondary. Yet

regarding the privatization process as such, the FF-Labour government did not actualize the policy in the telecoms sector as the government collapsed prematurely.

As far as the Rainbow Coalition is concerned, similarly to its predecessor, privatization was hardly ever publicly cited lest the sensitivities of Labour and Democratic Left be upset. Yet, the 'Government of Renewal' noted that state companies could become involved in strategic alliances, they could sell off a minority stake and could engage in partnership studies of their future as long as they were performed in order to safeguard employment and promote job creation.

Despite the fact that the Rainbow Coalition was comprised of three parties of which the two were devoted members of the anti-privatization campaign, it eventually completed the TE strategic alliance, which was the first major privatization in Irish politics. In general terms the government justified its decision to seek and complete the agreement for a strategic alliance by arguing that it would be beneficial to both the company and the consumers. It argued that a strategic alliance with a well-suited international partner would help TE to expand, develop and create further opportunities at home market and improve competition in the global marketplace.

The government acknowledged the role of the EU sectoral liberalization but was prepared to do everything possible in order to uphold the dominant position of TE in the national market. As a matter of fact, the Minister for European Affairs at the Department of the Taoiseach during the Rainbow Coalition, Gay Mitchell, points out (personal interview) that 'the EU liberalization directives gave the government a good excuse to do what it had to do...it gave the government the cover, the political ability to complete a development which was necessary in order to improve telecommunications in Ireland.' Hence, EU policy effects were an important reason, but not among the main arguments utilized by the government in the public discourse, to convince the political parties that initially opposed it, the unions, interest groups affected or the general public about the necessity of the reforms. More importantly, it was not as extensive and intensive in the domestic discourse in order to build a solid case for Europeanization being the critical legitimating factor.

The key element explaining the reasons the Rainbow Coalition was able to perform the first major Irish privatization lies in the coordinative discourse. By the time the Rainbow Coalition had risen to power, the consensual approach to social and economic policy which was developed through the series of national programmes had become a norm in Irish politics. The Labour party which participated in the previous coalition with FF, presented an impressive policy shift in relation to the past. During its cohabitation in power with FF, it refused to allow the TE privatization

becoming an agenda item and claimed that it would withdraw from the coalition in case it did. However, after it entered the Rainbow Coalition the Labour party and the DL agreed to consider privatization in the programme of governance only when that was the only solution in order to protect employment. Also Labour and the DL were forced to accept the TE strategic alliance, even if that meant that they violated their anti-privatization commitments, because the labour unions had struck a deal with the government for the ESOP. Therefore the negotiations and eventually the agreement between the three coalition partners and the unions regarding the strategic alliance enabled the government to proceed with the privatization without needing to reach out to the general public in a broad communicative discourse. The latter is confirmed by Mitchell who underlines (personal interview) that 'the Taoiseach, John Bruton, was very skilful in the way he handled the situation. In addition, the social partnership approach which has particularly marked Irish political life since the 1980s, gave both unions and businesses the opportunity to negotiate and agree upon the details of the strategic alliance. The combination of these two factors ultimately led to a good trade off between all the involved parties and then the strategic alliance with KPN-Telia.'

In conclusion, after having analyzed the privatization discourse during the Rainbow Coalition period, it is reasonable to argue that the second hypothesis is confirmed to a significant extent. The domestic discourse did not illustrate a direct association between the application of privatization and the accomplishment of strategic reasons. In fact, the Rainbow Coalition looked at each case separately and did not intend to apply a systemic privatization programme as it lacked the ideological zeal. The legitimization of TE's privatization took place in the coordinative discourse where it was agreed that it was the most appropriate method to assist the company further its development and benefit its consumers. Thus, it was the product of a broad agreement for what was believed to serve the company best at that given time. Moreover, it was a pragmatic solution, since it occurred only after the coalition partners agreed upon the principle, the company board signalled the green light and the government reached an agreement with the social partners involved.

Chapter 6: PASOK's Europeanization and the Unsuccessful Attempts to Privatize OTE

6. Introduction

This chapter examines the domestic discourse of the previously anti-privatization PASOK, which after 1993 performed an impressive u-turn in terms of its economic policy. It illustrates the circumstances under which PASOK swiftly covered an immense ideological distance and the effects Europeanization had on the government's privatization plans, especially in the case of OTE.

6.1 PASOK's adjustment to Europeanization

On the third of September 1993, exactly 19 years after the publication of PASOK's founding manifesto and almost a month before the 1993 general elections, Papandreou presented a revised version of the party's manifesto and ideological standings. In order to signal the rebirth of PASOK, Papandreou did not hesitate to publicly admit that both he and his party had moved forward since the last time they were in office. He repeated (Papandreou:28-09-93) that 'we were taught a valuable lesson being both in government and in the opposition.'

Since the original 1974 founding manifesto, the EU had significantly evolved as the single market had been established and the EMU required increased economic coordination among member states. This meant that PASOK's propensity to be an EU skeptic was limited in relation to the past and thus the revised manifesto did not include any polemic statements against EU and NATO membership. In contrast, it acknowledged the importance of supranational institutions for a well-functioning economy and an enhanced national security. Papandreou actually stated that his party had embraced Europeanization by proclaiming (Papandreou:27-09-93) that 'the future of our country in Europe, as a country that fully participates in the European evolution, will depend on the policy followed by the next government that will be formed after the elections.'

At the same time, although the new manifesto expressed the party's intention to cooperate with supranational institutions and organizations in policy planning issues Papandreou continued to criticize certain EU developments. Commenting on the Maastricht Treaty, he stated (Papandreou:10-06-94) that 'we do not necessarily agree with the position of our EU partners. We are a party that believes in European unification, but we have a social sensitivity, for a social Europe, a Europe that is not led by monetary authorities and bankers, but by the interests of its citizens. We disagree with numerous issues. The Maastricht Treaty as such, although we voted

for it in order to be part of Europe, is a very depressive treaty which basically deals with monetary objectives, inflation, deficits and debts.'

Although, the party's economic programme was significantly altered the position regarding privatization remained largely unchanged. Papandreou emphasized that companies, especially those of strategic interest such as OTE, should remain under state ownership. Characteristically, he said (Papandreou:28-09-93) that 'if you give away the management and 35% of the company the country will be devastated. This is unacceptable. We reject it whatever the cost may be. I wish to make this clear...The handing over of OTE to a foreign strategic investor would be catastrophic for the country...If you do not control telecommunications in your country, then God help you.' However, when Papandreou was asked whether his government would privatize OTE or other SOEs he did not outright deny it and replied (Papandreou:28-09-93) that 'the status quo of strategic SOEs including OTE should involve a public majority accompanied by public and social control.'

The party's ideological shift whether characterized as a political adjustment or an electoral maneuver served a twofold objective. Firstly, PASOK had no reason to keep its anti-EU stance, because the EU had been identified in the national conscience with security and economic development, especially through the Delors packages. Secondly, it gave PASOK the opportunity to criticize the neo-liberal model proposed by ND and at the same time it offered an alternative set of policies that would keep both the voters and the EU content. In short, the integration of PASOK's traditional socialist language and ideology with European policy aims indicated its development into a modern European socialist party.

Despite the corruption allegations of the previous years, his long stay in government during the 1980s and his controversial private life,⁴¹ Papandreou led PASOK to a notable victory on the 10th of October 1993 gathering 46,9% of the votes and 171 seats in parliament.⁴² Although Papandreou repeatedly stated that his government would cooperate with the EU, he did not receive a warm applause from the Commission. In a frosty and untypical formal letter congratulating Papandreou for his victory, President Delors addressed him (Kathimerini:14-10-93) as "Mr Member of the Parliament", not Mr President of PASOK, or Mr Prime Minister.' Moreover he did not omit to express his concern about PASOK's policies and cautioned the Greek PM

⁴¹ There were media claims that Papandreou's health was deteriorating and that he was not able to respond to his duties and responsibilities as PM. In addition, he had re-married a woman much younger than him a fact that attracted a lot of media attention.

⁴² The previous PR electoral system was substituted by a new one based on majoritarian principles. This change restored majoritarianism in the Parliament and as a result reinstated all of the simple polity features in the country.

stating (Kathimerini:14-10-93) that 'I am quite sure that the government will contribute like its predecessor did in the project of European unification in which Greece is actively participating since it entered the Community.' A few days later, a public spokesperson for Delors confirmed that the Commission was apprehensive about Papandreou's return to power reminding him (Kathimerini:19-10-93) that 'Article 103 Maastricht declares that member states have the obligation to regard their economic policies as a matter of common concern and shall coordinate them with the Council.'

6.2 Setting the government agenda and (re)adjusting it to the EU requirements

Two weeks after the elections, Papandreou set as his government's main priority the real convergence of the Greek economy with that of the EU member states. He identified the rigid control of public finances and the containment of public expenditure together with the reduction of the inflation as the government's central objectives. In addition, he announced a change of policy regarding SOEs' management by introducing private sector criteria such as the utilization of managers and the granting of full autonomy to the executive boards in order to speed up modernization. Papandreou stated (Kathimerini:28-10-93) that his 'government is prepared to re-examine the issue of public supervision and entrust SOEs with enterprising independence.'

The PM did not exclude partial privatization from the agenda, through the sale of minority stakes in the stock exchange, but was very careful in his wording by pointing out (Kathimerini:19-10-93) that 'denationalization is not contrary to our policy as long as it does not lead to private monopolies.' Similarly to his predecessor, but not with the same keenness, he linked the application of privatization with the achievement of the European objectives. The PM noted (Papandreou:23-12-93) that 'the Greek public, my government and I are constantly dedicated to the objective of European unification...privatization and market liberalization are policies that do not necessarily collide with the interests of the weaker members of society and the preservation of the social state.' He assured that his government, in contrast to the previous one, would not try to take unions by surprise, but in order to promote broad social agreements it would create a tripartite body which would coordinate the process. In the case of OTE, he claimed (Kathimerini:28-10-93) that 'the state will possess full control of the organization...but the introduction of a small percentage –not exceeding 25%- of shares of certain SOEs, like OTE, would promote the modernization effort via the self-financing of the forthcoming investments.' Moreover he promised to keep his pre-electoral pledge to annul the OTE privatization law established by the previous government.

The government programme was largely approved by SEV and GSEE since they considered it to be a reasonable compromise between business and working interests. SEV expressed its satisfaction, because the government laid emphasis on the stabilization of the economy and the decrease of public spending while at the same time it did not disregard the denationalization process. In a press release SEV stated (Kathimerini:13-10-93) that 'we hope the government will facilitate the establishment of a stable economic environment which will allow the speedy recovery of investments, by setting as its ultimate goal the convergence with the Community, according to the Maastricht Treaty.' GSEE was also satisfied because the government promised to place more weight on social dialogue and discontinued ND's systemic privatization strategy.

After the 1994 budget was voted by Parliament, the Commission sent its economic analysts to evaluate the proposed measures in relation to the EU objectives. According to the Commission the budget was largely problematic and the government was called to re-examine it but also to re-submit a new convergence programme. The Commission published a report on the Greek economy pointing out (Kathimerini:28-01-94) that in order to manage the national expenses 'additional measures equal to 5,5% of the GDP will be required in order to achieve the targets set by the government in the budget.' The Commission VP responsible for financial issues, Hening Christofersen, argued (Kathimerini:09-01-94) that 'the Commission and the other member-states have the right to analyze the economy of another member-state, like Greece for example, because the economic conditions in one country may affect other member-states...Greece has the prospect of producing a programme which will be approved by the union. And this is the main question, will the government do so?'

The Commission's authority was nonnegotiable and it was prepared to enforce its rights. It intervened in the government's fiscal planning and reminded the national authorities that they had the obligation to adjust without any delay to the EU requirements. Christofersen claimed that the new government under the pressure of time did not compose an effective budget and further actions would be needed, in order to deal with the problems of the economy more effectively, especially the reduction of budget deficits, the containment of public debts and the improvement of the mechanisms for the collection of revenues. He mentioned (Kathimerini:09-01-94) that 'Greece currently has the largest public debt among member-states with a gap from the others approximately at the level of 160% of the GDP and it is certain that this cannot carry on...the great danger is that it will absorb all the available resources of the budget. This is the primary problem. What is also worrying is the fact that the public deficit which was decreasing, increased rapidly in 1993 and it seems that it will be very high in 1994. I believe that if Greece wants to decrease the public debt, it is necessary to deal with the budget deficit first. This of course is the responsibility of the Greek government which knows much better than anyone else how to deal

with it. What we in the Commission must do is to help smooth out the situation and analyze how the European economy affects the Greek economy.'

As a result of the Commission's intervention, the government had to immediately adopt supplementary measures which would produce a significant increase in public revenues, balance the budget and help boost the economy. The Commission recommended the adoption of specific measures in order to improve macroeconomic figures. It issued a report stating (Kathimerini:23-03-94) that 'it is unfeasible to successfully restructure the public finances by improving the tax collection mechanisms only. Additional measures are required which will help reform the national economy ... Among the proposed measures are the improvement of the quality of services provided by the public sector through competition and privatization.' In addition, the IMF's report on the Greek economy stated (Kathimerini:06-04-94) that 'deficits and excessive borrowing are the two most grave elements, which need to be successfully dealt with immediately by improving tax collection mechanisms and promoting denationalizations...your decision to proceed with a partial privatization programme is the first step in the right direction.'

The previously anti-privatization PASOK, was not only required to incorporate privatization on its agenda but was also called to implement the policy at once. Papandreou firmly argued that such an adjustment was inescapable and outlined (Papandreou:27-05-94) that 'the objective conditions made it an absolute necessity to adopt such measures. Absolute necessity. Even if that, as you claim and arguably others as well, is contrary to what we had promised before the elections.' However, in an interview to Kathimerini newspaper, Georgios Gennimatas, the Minister of the National Economy, denied that the government's initial policy would change due to European pressure and claimed (Kathimerini:06-02-94) that 'we have been supporting our reformist macroeconomic policy before talking with the Community. We do not wish to marginalize our national economy or our country in the context of European integration. The Community has an interest in our policies mostly for institutional reasons while ours is a direct interest.'

In any case, despite the noteworthy alteration of the government's economic planning, the Commission remained largely unconvinced. Delors expressed his concern by stating (Kathimerini:09-01-94) that 'we are worried every time that the atmosphere, within the Community's institutional framework, deviates from the family spirit which must characterize the relations among member states. If this family spirit exists, then we can discuss every issue, and this we must do...I have participated in many Council of Ministers' meetings and in some of them there were significant juxtapositions, but always with the intention on all sides, to find a solution and understand the beliefs of the other side. Is it too much to ask our Greek partners to do the same?'

6.3 Failing to privatize OTE again and again

In December 1993 Gennimatas announced (Kathimerini:01-12-93) that 'the flotation of 20% of OTE's shares will be completed within a month.' The main difference with the plan put forward by the previous government had to do with the method, which included only a flotation. However the inherent difficulty in implementing it so rapidly made the government goal largely unattainable. Papandreou made an attempt to convince his parliamentary group to approve the privatization and stressed (Kathimerini:03-12-93) that 'either the nation will wipe out our country's extreme debts or the extreme debts will wipe out our nation.'

Apparently the government believed that within a month it could surpass the legal, political, economic, social and 'moral' difficulties of such a complicated venture. The legal obligations had to do with law 2167/93 which had been passed by ND and permitted other actors beside the state to hold OTE shares. Gennimatas argued that a new legal framework was necessary, but in order to speed up the process the government considered only the alteration of Law 2167/93. In contrast, the Minister of Transport, Giannis Charalampous, reminded that three months ago when ND was in power, PASOK had promised to repeal Law 2167/93 and all the opposition parties had united their forces to reject it. Hence, PASOK had the moral obligation to annul it and reinstate the previous status-quo, which gave the full proprietorship to the state in the form of one share. However, if the law were to be repealed, a legal vacuum would be created which would not permit the flotation on such short notice. In addition, the unions expressed their disappointment as the PM had repeatedly committed his government to a wide social dialogue between national actors involved but their expectations were not realized as the it was never initiated.

Moreover, unsolved economic issues which the government had not addressed came to the forefront. Firstly there was no financial evaluation of the company, thus making it impossible to set a share price for the upcoming flotation. Secondly, there was disagreement regarding the proper use of the prospective privatization revenues. The PM had initially argued that any denationalization revenues would be used exclusively for the company's further investment programmes, but after the Commission's recommendation to enact a privatization programme in order to close budgetary deficits, it was quite certain that the funds would be used for that purpose.

In January 1994 the flotation of 20% of OTE's shares was postponed as the difficulties were considered. Nevertheless, Gennimatas insisted (Kathimerini:22-01-94) that 'within 1994 and perhaps during the first six months of the year the privatization will have been completed...which will undoubtedly be the foundation stone of growth of our economy.' In an effort to justify the

government's OTE privatization and disassociate his party's approach to that of the previous government, Gennimatas emphasized that this action was not a sell-off to foreign interests but for the benefit of the company. He stated (Kathimerini:06-02-94) that 'the solution for OTE is the strengthening of its profit-making and its quality through self investments via the stock exchange market. The solution is definitely not the selling-off to foreign third parties that will control the management and even the radars over the Aegean.'

Despite the temporary rescheduling of the flotation, the privatization of OTE had reached the top of the government's agenda since it was the main vehicle for trimming down the budget deficit. The Minister of Economics, Alekos Papadopoulos, confirmed this by outlining (personal interview) that 'the decision to privatize OTE was directly linked to the convergence programme we had to present to the Commission. Our country at the time had a credibility problem internationally and the restoration of this credibility was the major issue of the government.'

The government laid much emphasis on the convergence programme as it was considered the driving force of the Greek economy due to the opportunities it offered. This was signified by the PM who commented (Papandreou:23-12-93) that 'indeed, it is a fact that the Greek economy, as the entirety of the European economy, is facing significant stabilization and adjustment problems. Our goal is to apply a series of measures in order to deal with it and help the economy recover...Our ultimate goal is to achieve the convergence criteria that will permit us to be a full member of the process that leads to the economic and monetary union.' Nevertheless, although the government and the Commission were working together to come up with a new convergence programme, the latter continued to express its discomfort with the status of the Greek economy. One month before the formal submission of the convergence programme the Commission's VP, Christofersen, repeated (Kathimerini:26-05-94) 'the need to construct a credible economic programme...I am not satisfied with the progress of the Greek economy because we have no room to be satisfied, not even the government is satisfied with the excessive deficits, which are the largest within the Community.'

In September 1994, one month before bringing the bill dealing with OTE's partial privatization to Parliament, the Commission approved the government's new convergence programme which included the flotation of OTE. The decision to enact a privatization strategy was welcomed by the Commission as a step forward and Christofersen commented (Kathimerini:02-10-94) that 'the objectives the Greek government has set are realistic and can be obtained by 1998 in order to ensure that Greece fully participates in the third stage of the EMU starting in 1999.' Also, the IMF gave PASOK some credit concerning the course of the national economy. In its report it noted (Kathimerini:23-07-94) that 'the revenues from the denationalization, whether they are added to

the national budget or are allocated in order to decrease borrowing needs of the companies and organizations involved, will contribute to restrain the immediate financial needs of the public sector...the government's decision to enact a partial privatization of certain SOEs is a welcomed first step.'

In the meantime Giannos Papantoniou, a pro EU-economist, took over in the Ministry of National Economy on the 15th of April 1994 and announced the acceleration of the OTE privatization.⁴³ Papantoniou announced that the percentage of shares that would be floated would be increased to 25% and since the Athens stock exchange would not be able to absorb such a large issue it decided to place 18% of OTE's equity with international institutions abroad and only 7% for a domestic tranche. However, in an attempt to distinguish PASOK's plan from that of the previous government, he outlined two basic differences. Firstly, PASOK guaranteed that the majority of the shares and the management of the company remained with the state. Secondly, he stressed that the privatization method chosen through a public flotation via the stock exchange was undeniably a more transparent process, than the direct trade sale of 35% of the company to a foreign strategic ally.

At that stage the government argued that there were two main reasons the privatization should take place. Firstly it believed that it was very unlikely for a public sector company to adjust to the increased EU competition. Secondly, the flotation was a realistic way to draw additional economic resources and ease down fiscal difficulties. In fact it was decided that 2/3 of the privatization revenues would be used to fill in budget deficits whereas only 1/3 would be allocated to OTE, thus confirming that the government's main motivation was the reduction of budget deficits, which was an EU requirement.

To speed up the flotation the government reappointed CS First Boston and J Henry Schroder Wagg, the joint global coordinators that had been selected by the previous government and stated (Kathimerini:24-05-94) that 'all the preparations will have been completed within 1994.' The government requested from the OTE board the immediate production of an accounting control and the drawing up of a balance sheet for the first six months of 1994 as a means of presenting a clear indication of the company's financial position. This happened for the first time in OTE's history and was necessary in order to assist the foreign consulting group, Arthur Andersen, to evaluate OTE's shares. The Board was required to assemble OTE's plans for its future growth, development and modernization in order to present an ambitious vision which would appeal to foreign investors. Finally, it was asked to revise management practices, so as to

⁴³ Gennimatas passed away.

adjust them to the needs of a company that participates in the stock market. In this context, OTE's General Director Petros Lamprou noted (Kathimerini:25-09-94) that 'the flotation is not only necessary and extremely important for the future economic well being of OTE but mostly for the change of philosophy that occurs in a company that cooperates with private shareholders.'

Although the government was making an effort to speed up the process and complete the first major flotation of a Greek SOE at the same time it had to ensure that the price achieved was satisfactory. However, the process of OTE's evaluation encompassed certain political difficulties as PASOK had overvalued the price of OTE, when it was in the opposition by repeatedly claiming that ND was giving it away at a much lower price. Now it had to verify that such an assertion was valid and acquire a higher price evaluation of the company's value than the one ND had secured, or else it would prove to be either unreliable or inefficient. In fact, the instigator of the ND 1993 privatization plan, Manos, insisted on receiving an answer (Kathimerini:25-10-94) if 'a minimum price for the shares of OTE has been determined by the government and if yes what was the method used to establish it.' The government was unable to answer that question at that given time, because the foreign consulting groups had not yet formally arrived at a market figure. Papantoniou said (Kathimerini:14-08-94) that the final evaluation and 'the price of the share will be determined by the market.' He highlighted three specific factors that would influence the share's price. Firstly the new tariff policy the government would be introducing and applying for the following five years. Secondly, the maintenance of the monopoly OTE enjoyed within the domestic market. And finally, the economic condition that the company would present through its accounting report.

Despite the lack of social dialogue there was a relative agreement regarding the partial privatization of OTE as most actors acknowledged that it was a good compromise. Manos, argued (Kathimerini:25-05-94) that such a decision was a 'belated vindication of what I have been shouting out, that OTE must be denationalized, but the government has not taken the necessary steps so as to succeed in its objective, both for the increase of revenues and the modernization of the company.' GSEE's Secretary General, Christos Protopapas, said (Kathimerini:25-05-94) that 'we must be very careful in order to ensure that the profits from the flotation are properly used.' Finally, the president of OME-OTE, Giannis Maniatis, stated (Kathimerini:24-05-94) that 'although I am not satisfied with the government's project, it has absolutely no relation with the plan of the previous government.'

In October the government brought to Parliament the first bill which dealt exclusively with the new OTE tariff policy and despite the hostile response it received, it was voted into a law. Its purpose was to make the company more appealing to the investors and help OTE increase its revenues

since the law practically allowed the new Board to proceed with noteworthy increases in telephone call charges (between 35-40%) within the next three years. The response by the political parties was immediate. ND's leader, Evert, demanded the bill to be withdrawn. After the government's refusal to do so, he decided that ND should pull out from Parliament, arguing (Kathimerini:06-10-94) that he 'rejects even discussing about bills that are characterized by the government's spirit to deceive the Greek people and undervalue institutions.' KKE's General Secretary Aleka Papariga before withdrawing from Parliament also accused PASOK of performing (Kathimerini:06-10-94) a 'vicious and dirty selling off from a party that one year ago was pretending to demand that 100% of OTE remains in the public sector.'

The unions were disturbed with the law and made it clear that they would stand against the privatization process if the government continued to act unilaterally. GSEE that had initially supported the government's plan to float 25% of OTE expressed (Kathimerini:06-10-94) its concern, because 'the bill does not ensure the modernization and reorganization of the company but aims to subsidize the flotation through the consumers.' Furthermore, the President of OME-OTE, Maniatis, requested (Kathimerini:07-10-94) 'the constitutional fortification of OTE's public character. We reject this bill because it leads to the complete privatization of the company.'

After passing the tariff law, the government's central priority was to establish the legal framework that would allow the flotation and essentially create the institutional basis on which OTE would function after its privatization. Although Law 2167/1993 allowed the privatization of 49% of the company, PASOK had promised to annul it when it was in the opposition. Hence, it sought to fill the legal vacuum that would be created by repealing Law 2167/1993 as in such a case OTE would go back to its pre-1993 status where the state possessed 100% of the company in the form of one and only share. The bill the government was intending to bring to Parliament leaked to the press and cited that the state would possess 75% of the company and the remaining 25% could be passed over to the private sector. GSEE responded dynamically and argued (Kathimerini:26-10-94) that 'the bill leads to a flotation which has as its main objective the attainment of the short term revenues and does not guarantee the development plans of the company. It also significantly encumbers the consumer with the overzealous increases in tariffs in order to make OTE's shares more appealing to the investors.'

A large number of PASOK MPs were not willing to vote for a bill that did not enjoy the support of the unions and they requested its amendment. As a result, the government was forced to retreat and make some significant changes to it, which introduced two important concessions. Firstly, the bill allowed the state to allocate 1% of its capital share to the Employees' Insurance Fund of TAP-OTE, which had an excessive debt, without the latter having to pay anything in return. Secondly,

it prevented anyone from holding more than 5% of the company's shares, therefore verifying that the state would be in full control. OME-OTE continued to express its direct opposition to the bill and intensified its moves with constant rallies and an eight day strike. In the meantime, the government started its advertising campaign informing the public that the subscription was under way for the purchase of shares although the bill that would allow the flotation had not yet been voted.

In November the government brought the privatization bill to Parliament although it had not reached an agreement with the unions. The latter had convinced a large number of PASOK's parliamentary group not to vote for the bill thus sending the first important message that the privatization of OTE would meet considerable resistance. Approximately one fourth of PASOK's MPs withdrew from voting and underlined that the government had the obligation to make further changes and improvements to the bill. Papantoniou's plea to vote for it immediately and not obstruct the process so as to give him a good bargaining tool for his meetings with the Consulting Groups in London was completely ignored.

In an attempt to emphasize the fact that the flotation was a method of helping OTE modernize, the government decided that instead of allocating one third of the receipts to the company, it would give it two thirds. Although this was a solution in terms of decreasing union opposition, it disturbed fiscal planning because the government had to seek for additional funds that had been previously estimated for budget purposes elsewhere. Consequently, after using its political whip to an extreme in order to force MPs to vote according to the party line, the government managed to pass Law 2257/1994 which replaced ND's Law 2167/1993 and enabled the flotation of 25% of OTE's shares (figure 6.1). It proved to be a pyrrhic victory for the government since 12 MPs did not vote for the bill and a considerable number were absent without giving any specific reason. ND voted against the bill and warned the government (Kathimerini:03-11-94) that 'if the price of OTE's sale does not exceed 1,7 trillion drachmas it will consider the privatization a scandal and there will be serious legal implications for those involved.'

LEGAL FRAMEWORK IN RELATION TO THE PRIVATIZATION OF OTE	
Pre 1993 legal status quo	100% of OTE was held by the state in the form of one share
LAW 2167/1993, passed by ND in 1993	Allowed the privatization of up to 49% of OTE
LAW 2257/1994, passed by PASOK in 1994	Allowed the privatization of up to 25% of OTE
FIGURE 6.1	

Six days after Law 2257/1994 had been voted Papantoniou announced that the flotation of 25% of OTE's shares would be suspended. The decision was made after the meetings of the Deputy Minister of National Economy, Nikos Kiriazidis, with the foreign consulting group, First Boston, in London where it was confirmed that the highest possible price OTE could achieve in the international market was significantly lower than the expectations of the government. On the same day, Papantoniou publicized the government's decision not to proceed with the privatization (Kathimerini:09-11-94) because 'the situation of the international financial markets does not guarantee the obtaining of the price that the government would consider satisfactory. We will reexamine the time of the flotation which we expect to complete within the first months of 1995.' ND characterized the whole process as the blunder of the century and called Papantoniou to resign from his post. Militadis Evert reminded the government (Kathimerini:09-11-94) that 'when we were discussing OTE's bill in Parliament the minister was reassuring all of us that there is absolutely no problem with the flotation, he was either lying or had not comprehended the change of the international markets, in either case he is incompetent to fill in the position he holds.' GSEE pointed out through its General Secretary, Protopapas, that (Kathimerini:10-11-94) 'the inadequate organization and the fact that the government's main motive to float OTE was the use of the revenues for budgetary purposes were the main reasons it failed.'

In an attempt to defend the government's decision to push back the privatization, but also to defend his personal handling, Papantoniou mentioned in an interview for Kathimerini (13-11-94) that 'I do not agree with those claiming that there was a failure in the case of OTE. There was only a scheduled delay which was agreed among government officials after taking into consideration the public interest...I will disagree that it was a fiasco. When the date of the publication was approaching we realized, after conducting several market surveys, using both our own mechanisms and our consultants' that the market was not prepared to pay the price of the share which we considered satisfactory. Thus we were facing a dilemma: should we advance with

the selling-off of OTE or should we bear the short term political cost of postponing the date of the publication and simultaneously ensure that the shares are floated at the right price and under the right conditions. We chose the second option.'

In addition, Papantoniou argued that all of the necessary steps had been taken and that PASOK had not groundlessly overvalued the company's price when it was in the opposition, but a combination of external and internal reasons led to the decision to postpone the flotation. He further stated (Kathimerini:13-11-94) that 'the drop in the international financial markets was important, moreover the market had not yet expressed its intentions about the exact amount it was prepared to pay in order to acquire OTE's shares...another factor was that OTE has not yet functioned under its new institutional framework. Finally, we should not underrate the political factor. For example, the comments made by the Leader of the Opposition did not help the valuation process. Finally, the threats and the shifts of policies concerning the tariffs of the company reinforced our image of not being a credible country.'

The explanation given by the government was debatable, since there was a range of other causes considered to be of greater importance. The consulting companies in charge of the flotation informed the government that the main reasons it did not succeed (Kathimerini:25-12-94) were 'the immense bureaucracy that dominates the exercising capacity of the Board of Directors, the constant underestimation of OTE's clients, the low productivity levels of the employees, the intervention of the trade unions and strength to enforce their will and the declining conditions of the Athens stock exchange.' Additionally, the organization and the way OTE would continue to function were not significantly altered as the company would remain under public management and the employees' rights would increase. OTE remained outside any international joint venture and had not come up with a convincing and credible development plan for the following years. Finally, the company's unwillingness to appoint an international telecoms operator as a technical consultant, coupled with Papandreou's promise to OME-OTE that none of the employees would be removed from the company were considered as additional reasons that deterred potential overseas investors.

Despite the unsuccessful privatization attempt, by the fall of 1995, the first encouraging signals concerning the course of the national economy were publicized by the Commission. The President of the Commission, Jacques Santer, acknowledged this and stated (Kathimerini:28-11-95) that 'I am realizing with great pleasure that Greece has selected to proceed with determination in the implementation of a balanced economic and fiscal policy.' At the same time though, the government was receiving recommendations to intensify its effort and speed up its privatization programme. The text the ECOFIN adopted in Luxembourg, in the summer of 1995,

indicated that although privatization was not a request it was considered an effective method to achieve certain common goals. The text stated (Kathimerini:18-06-95) that 'in the case of Greece it is important that the fiscal imbalances are further reduced, in order to advance and approach real convergence. The adoption of bold measures is required, especially in decreasing the public expenditures and the establishment of a long-term framework that will gain the trust that the national economy is moving towards the right direction ...privatization, to the degree that member states consider it suitable in relation to their targets could contribute to achieve the goals set and thus move toward the desired direction.' Furthermore, the EU Monetary Commissioner, Yves-Thibault de Silguy, reflecting on the ECOFIN text made recommendations (Kathimerini:14-09-95) to the Greek government 'to speed up the privatizations and more particularly the flotation of large SOEs.' Finally, the IMF, in its report, commented (Kathimerini:17-05-95) that 'the contemplated revenues from privatization that would have decreased the debt have not been performed ...in contrast to many other EU countries, there is no consensus in Greece about the fact that the ownership, the control and management by the private sector is the most appropriate method to improve the operation of the services offered by SOEs. Therefore, the strengthening of the administration's control and responsibility within SOEs is immediately needed and that is why we welcome the government's intention to move towards this direction. A necessary first step is to perform detailed evaluations for SOEs based on international accounting models, as in the case of OTE.'

At the same time, the internal pressure for the application of privatizations included the Bank of Greece and SEV. The Governor of the Bank of Greece, Loukas Papademos, in his annual report for the national economy expressed his concern and directly linked the accomplishment of the convergence programme with the increase of public revenues, the control of budget deficits and the reduction of the public debt with the implementation of a successful privatization programme. He did not neglect to remind the government and the other political parties that a certain level of national consensus is necessary on issues that are above party politics such as the fate of the national economy. Papademos criticized (Kathimerini:30-03-95) 'the sluggish pace of denationalizations... emphasized the need to make a greater effort to cut down public expenditures and to accelerate the process of denationalizations.' Also, SEV requested for a more dynamic privatization plan which would spread in all sectors in order to boost the national economy. It accused the government of delaying the reorganization of the public sector and of its unsuccessful privatization attempts.

Although the government was considering alternative privatization schemes, in cooperation with the OTE Board, it was simultaneously trying to make the company more attractive to potential investors and adjust it to the market needs. It commenced a new long-term policy plan which

intended to decrease the total number of employees through a voluntary exit programme and appointed specialized and younger aged staff that would help boost the productivity levels. Papantoniou admitted in an interview to Kathimerini (29-01-95) that 'we are examining several scenarios for OTE's privatization, including the repetition of the previous plan, but also the introduction of shares initially at the domestic stock market and eventually in the international stage, the issue of convertible bonds and certain other methods as well. Within the next month we will formally announce our decisions which will be implemented by the end of 1995, depending on the course of the financial markets.'

A fresh plan was created which anticipated the flotation of 6-8% of the company in the domestic stock exchange in November or December 1995. The new privatization scheme was dealt with less skepticism by the unions and the market, but it was still unable to attract the so much needed political consensus. Although ND was willing to accommodate the government, it required the fulfillment of three terms which were largely unattainable. Firstly, it would not accept a deal that evaluated OTE less than 1,7 trillion drachmas. Secondly, it requested that half of the receipts were appropriated to public health and education. Thirdly, it stated that the privatization should take place only if the stock market had stabilized between 1000-1100 units. In any case, Papantoniou was firm in stating (Kathimerini:29-11-95) that 'the government must find the courage and the strong political will to ensue the acceleration of its privatization policy.'

By December 1995 the health of Andreas Papandreou started deteriorating and the PM had to be admitted to hospital. The party politics within PASOK and the scenarios regarding the successor of Papandreou in the leadership of the party started to take off and as a result all of the government's important measures froze. The flotation of OTE was once more postponed and was scheduled to be reexamined after the New Year, because Papantoniou argued that as long as the PM remained in hospital the political instability influenced the stock exchange. Some ministers, among them Papantoniou and Papadopoulos, argued that if no solution concerning the succession of the PM were reached within a specific time-span, they would resign from their posts. In the same manner SEV demanded that PASOK's problems were immediately dealt with because it was intolerable to allow them to affect the national economy and the convergence programme. On the 15th of January 1996, from the Onassis Hospital, Andreas Papandreou issued a written statement announcing his resignation from the post of PM and his request that the internal party procedures were to take place in order fill in the vacant position.

6.4 Conclusion

Before testing the hypothesis it is necessary to confirm that the Greek polity during the period of 1993-1996 embodied most of the simple polity characteristics. Firstly, the 1993 elections were held under a new electoral system which reinstated the concept of majoritarian politics in the Greek polity. Therefore PASOK was able to form a single-party government with a comfortable parliamentary majority. Secondly, there was an evident lack of a political consensus separating the parliamentary parties in all aspects of the policy making process. At no point did the opposition publicly support or vote in favour of bills that were brought to the Parliament by the government for example those dealing with privatization of SOEs or OTE's new tariff policy. In fact, it fervently opposed them accusing the government of potential scandals and withdrawing from Parliament thus confirming the polarized political environment. Thirdly, one of the characteristics regularly attributed to simple polities is the relative absence of a coordinative discourse. Such was the situation at that time period. Although PASOK had promised to engage in a wide social dialogue with the unions and include them in the policy making process on issues related with public sector reorganization, it did not do so. Papandreou acknowledged that his party had to change some of the pre-electoral commitments, among others those involving privatization, due to the pressure his government was receiving from the Commission in order to stabilize the national economy. Thus, the government did not launch formal negotiations with the social actors involved, but unilaterally decided on the timing and details of the plan to be followed. Consequently, the reestablishment of majoritarian politics, the polarized political environment and the lack of a social dialogue signaled the attainment of representative simple polity.

The hypothesis argues that in simple polities privatization is justified principally on a pro-market ideological basis or an expressed strategic objective. When testing the hypothesis in relation to the attempts to privatize OTE, it is apparent that similarly to its predecessor, the government attempted to justify its privatization programme by appealing to the general public. In other words, the government resorted to a communicative discourse, hoping that the social actors that had aligned their interests with PASOK before the elections, but more importantly the general public, would be convinced about the necessity of privatization.

It would be inaccurate to argue that the government legitimated OTE's privatization on an ideological claim. Although it is obvious that the party had made significant policy modifications in relation to the past and did not exclude the possibility of performing some denationalizations, privatization was not part of its revised manifesto or immediate government agenda. In fact, the party together with many MPs and unionists were not only unready to back up such policies, but were actually prepared to stand against them. As Pangalos states (personal interview) 'the

central problem concerning the privatization reforms was the fact that PASOK's main electoral reservoir was the public sector trade and labour unions which were extremely powerful. Thus the essential barrier was how the politicians in charge would respond to the unions' dissatisfaction since the party was to a large extent politically dependent on their support.' The political complexities within PASOK would have provoked additional problems when justifying privatization in the domestic scene, but due to the unquestionable leadership of Papandreou he was able to keep the various factions of the party (modernizers-traditionalists) united. All this until his health became too fragile.

Before the 1993 elections, Papandreou expressed his party's intention to cooperate with the Community in economic policy and erase his anti-EU profile which he had attained as PM in the 1980s and had reinforced when he was in the opposition. After taking office, Papandreou declared that the convergence programme and the road towards the EMU were the driving forces of the government's economic policy. However, the privatization announcements were only made after the Commission's recommendations regarding the 1994 budget. The latter is evident, as only a few months after the government's inauguration, the Commission strongly suggested the initiation of an organized privatization plan as a method of increasing state revenues and closing budget gaps. At that stage the Commission clarified that if Greece wanted to join EMU, it had to stabilize its economy and maintain fiscal consolidation. Papandreou was called to prove that his government was ready to respond to the Commission's requirements and to restore the public finances. Three months after taking office, the formal announcement of PASOK's privatization programme, reflected more the Commission's political recommendation than the government's platform.

The government linked the success of the strategic national goals (participation in the EMU stages and fiscal consolidation) with the application of its privatization strategy. As Alekos Papadopoulos, Minister of Economics, states (personal interview) 'at the time there was a great debate and a lot of pressure generated by the EU concerning the credibility of our country. The crisis between Greece and the EU would be surpassed only if our government created the necessary conditions to stabilize the economy and join the other members on the road to EMU. Papandreou realized this and was forced to perform a dramatic turn in his ideas concerning fiscal and economic policy in relation to the past.' The formal recommendations made by the ECOFIN were to accelerate the privatization programme in order to achieve fiscal stabilization. The above assessments are largely confirmed by the fact that the government was initially intending to use 2/3 of the prospective OTE privatization revenues in order to fill in budget deficits.

The hypothesis is confirmed to a large extent as it is clear that the government directly linked, in its domestic discourse, the legitimization of its privatization programme with the accomplishment of its strategic national goals. Privatization was adopted due to the Commission's recommendations and the government's commitment to meet specific economic and fiscal criteria set by the EU. The government was prepared to adjust to the challenges of Europeanization even if some party members were not able to absorb such a rapid policy change over a relatively short period of time. Moreover, the association between the accomplishment of the strategic national goals and privatization, provided the government with the needed social impetus to justify its policy choices. This is verified by the positive response of most social actors to the privatization plans presented by the government. The example of the unions is the most characteristic. They initially reacted negatively but they eventually realized that privatization was an inevitable development and were ready to accept it under certain circumstances.

FIGURE 6.2 OTE PRIVATIZATION ANNOUNCEMENTS MADE BY THE PAPANDREOU GOVERNMENTS 1993-1996.				
Date of announcement and Minister in charge	December 1993, Gennimatas	January 1994, Gennimatas	May 1994, Papantoniou	September 1995, Papantoniou
Method	flotation of 20% of OTE.	flotation of 20% of OTE.	flotation of 25% of OTE.	flotation of 6-8% of OTE.
Date of expected completion	Following month. (January 1994)	Following 6 months. Jan.- June 1994	By the end of 1994.	November-December 1995.
Reasons the privatization was not completed.	Legal vacuum, no financial evaluation.	Legal vacuum, no financial evaluation.	Market did not guarantee satisfactory price.	The PM's health deteriorated.

It is worth noting that despite the fact that Andreas Papandreou's governments had formally announced the OTE privatization on various occasions it was never actually implemented (figure 6.2). It is interesting to consider that the OTE privatization programmes did not fail in their application because they were incapable of garnering sufficient public support. They did not go according to schedule as the government was unable to produce a coherent plan on time. Firstly, Gennimatas declared that the government would float 20% of OTE only one month after the Commission recommendations had been announced. The plan collapsed because there was a

legal vacuum in relation to Law 2167/1993 which enabled the privatization of 49% of OTE, which PASOK had promised to repeal it. Moreover, there was no financial evaluation of the company. In the second case, Gennimatas provided for a wider time frame but his passing away found the government not having succeeded in dealing with either the legal vacuum or the company's evaluation. In the third case, Papantoniou eventually acknowledged that the government handled the situation hastily. More specifically, he stated (personal interview) that 'the very low price of OTE reflected the very bad condition of the Greek economy and its potential at the time. It was too early for such a project. We had just started putting into practice the convergence programme, we had not yet given the necessary indications to the international economic community about the direction of our economy and it was obvious that there were many reservations concerning the capability of our country to meet the EU goals. These factors influenced the low valuation of OTE which led us to the decision to postpone the privatization and allow some time to pass by, so as to prove to the international markets that we were making all the necessary moves in order to modernize both OTE and the national economy.' Finally, in the fourth case the privatization was rescheduled after the PM was admitted to hospital. In short, the failure of the Papandreou government to perform the privatization of OTE was due to the ill planning of the process and not to the unpopular or ineffective reasons brought forth by the government.

Chapter 7: Ireland 1997-2000, Social Actors Requesting More Rather than Less TE Privatization

7. Introduction

This chapter analyzes the period 1997-2000 under the FF-PD coalition led by Bertie Ahern.⁴⁴ It confirms the second part of the hypothesis, which argues that in compound political systems privatization is presented as a socially acceptable managerial adjustment to market needs with minimum references to ideology or strategic objectives. It examines the domestic discourse regarding the second phase of the TE privatization, which remains the most notable economic transaction in modern Irish politics.

7.1 The pattern of the privatization discourse in the 1997 electoral campaign

Only a few weeks before the 1997 elections, on the one hand the Rainbow Coalition was seeking its re-election and on the other FF and the PD proceeded with a joint statement of governance indicating their intention to form a coalition. Their common statement stressed (IT:04-02-97) the need to 'provide tighter economic management through control of public spending, and the elimination of borrowing so that Ireland can thrive as a member of the EMU and can sustain its high level of job creation.' The Taoiseach and leader of FG, John Bruton, claimed that a FF-led government would not be able to provide stability and longevity. Bruton was asked to identify the main differences between the Rainbow Coalition, and the coalition offered to voters by FF and the PD and responded (IT:05-02-97) that 'the main difference between the two prospective governments is that the current coalition has successfully worked as a team. There have been four changes of government over the last 10 years - three involved FF and broke up prematurely. This is the first government in 10 years that has actually stayed together.'

During the electoral campaign, privatization was at the centre of the political debate as the prospective TE ESOP had attracted a lot of attention. The TE ESOP marked a watershed in Irish industrial relations, since it would be the first major employee share-ownership plan in the country. More specifically, under the TE partnership agreement signed in 1997 between management and unions there was a provision entitling the latter with at least 5% of the

⁴⁴ This period has been characterized (FF website) as 'a golden era in the modern history of the Irish Republic. As Taoiseach [Ahern] presided over the Celtic Tiger, the most rapid and sustained period of economic growth experienced in modern Irish history with the best growth rates in the European Union, low inflation, low interest rates, record employment and inward investment.'

shareholding, when the next phase of the privatization would be performed. This was earmarked as a reward to the employees in return for the implementation of necessary restructuring and cost reduction measures within the company.

However, ever since the agreement, the unions had amplified their demands and were unyielding in requesting nothing less than 15% of the company in the form of the ESOP. In exchange, the CWU was willing to contribute to the company's restructuring by accepting to reduce its workforce through voluntary redundancies. However, it warned that such a transformation would be achieved only if the next government was fully committed to the agreement that more than 5% of the shares, which had been initially agreed, would be sold to the employees. The CWU General Secretary David Begg warned the government that there would be a return to industrial conflict in TE if anything less than 15% of the shareholding would not be provided for an ESOP. He mentioned (IT:01-05-97) that 'we did everything asked of us. We tackled every single problem thrown up. We shirked nothing and we hacked away from nothing.' Likewise, the General Secretary of the ICTU, Peter Cassells, said (IT:03-05-97) that the 'rejection of the union's bid for an employee share option scheme would be 'as a slap in the face for the whole trade union movement.'

For the first time in Irish politics, the 'left-wing' political parties and the unions were actually demanding more rather than less privatization. The two Rainbow Coalition partners Labour and the DL speedily aligned themselves with the unions and advocated that the ESOP should meet all of the union demands. Despite the fact that both parties had repeatedly expressed their opposition to privatization as a general practice, their leaders the Tanaiste, Dick Spring, and the Minister for Social Welfare, Proinsias De Rossa, passionately backed up the ESOP scheme and reassured the unions that they wanted to give the workforce the shareholding it was requesting.

The FG Minister of Transport, Alan Dukes, verified that a discussion between the union coalition and the company's management had already been initiated regarding the ESOP. Dukes was very reluctant to commit the government to an agreement, especially when it had to do with such a significant stake of the company but indicated (IT:03-05-97) that at that stage the government 'was prepared to concede 5% equity in return for accepting the £110 million cost-cutting programme, including 2,500 redundancies.' He mentioned that the government was prepared to concede at least 10% if the price was right and the sale of a further 5% would depend both on the price and the compliance of KPN-Telia.

At that stage Bertie Ahern's FF had undertaken a campaign ensuring the unions that his party fully supported the right of the workers to buy up to 15% of the company in which they worked, in

the form of an ESOP, as long as they paid for it at a fair price. Ahern emphasized that FF would not engage in the wholesale dismantling or disposal of state companies, but it would make sure that the semistate sector would evolve in order to cope with increased competition. Therefore the party argued in favour of strategic alliances and private investments, but it also pledged to uphold social partnership, improve the level of public services, maintain the integrity of the system of social protection and develop the state sector. One of the main slogans of FF's campaign was 'back to the future,' meaning that FF would continue (IT:29-05-97) the 'broadly popular policies that have been underpinned by social partnership and successive governments...and become the champion of the public service by broadening the shareholding in semi-state companies' Finally, he underlined the importance of participating in the EMU and warned (IT:04-06-97) that 'staying out of monetary union would suggest Ireland was still an economic satellite of Britain... the right policy is to move towards budget balance so as to reduce debt and heavy interest payments...Ireland could meet the criteria after a decade of careful budgeting.'

The PD traditionally supported the wide scale privatization of SOEs in order to reduce the national debt and accused the left wing parties of the Rainbow Coalition of impeding the privatization process in Ireland. The PD finance spokesman, Michael McDowell, argued (IT:22-05-97) that 'on a very conservative estimate there is £2 billion worth of State assets to be privatized...privatization is not an end in itself. It's only a means to freeing up the economy and freeing the State from debt. The receipts from sales of State assets would help to reduce national debt and therefore free the State from debt servicing costs...The choice for the Irish people in the next election is between the Progressive Democrats and Labour and that choice is a very straightforward one. The Labour Party under its current leadership and its current policies is definitely not compatible with the Progressive Democrats. Nor is Democratic Left.'

However, even after the pre-electoral pledges made by the political parties concerning the prospective TE ESOP, the labour unions were very reluctant and as a result did not openly support one political party. In fact, before the elections they sent a message to the 10,000 union members stating that (IT:06-06-97) 'the government offer did not meet the Telecom unions' demand for a 14.9% shareholding that could be held in trust for the workers and give them a significant say in the future strategic development of the company...The statement by FF and the PD saying they would give the workers a 14.9% stake in TE at a fair price is unhelpful.'

7.2 The FF-PD coalition and the agreement on the TE privatization

After the 1997 general elections FF gained nine seats and returned to government by forming a coalition with the PD. The government had to reassess some aspects of the national economy as

a result of the miraculous economic development of the previous years. Firstly, in March 1998 the Irish pound was revalued against other EMU currencies by 3% due to fears of increasing inflation. Secondly, one year later in March 1999 the Taoiseach announced that Ireland would receive its last share of EU funding as a budget beneficiary. The Republic had transformed into one of the wealthiest EU states and would be eligible to become a contributor to the EU budget. Hence, Ireland would have to find additional methods in order to fund programmes that up to that time were receiving significant aid from the EU structural funds. On this occasion Ahern stated (IT:27-03-99) that 'Ireland's share of EU funding for the next seven years would amount to £3.4 billion, or half as much as we have enjoyed for the last seven.'

The coalition government believed that some of the necessary supplementary funding could be raised through privatization. Ahern, was willing to examine and apply some forms of privatization as a means of assisting SOEs to expand and improve their services. In fact the government clarified that any prospective privatization revenues would not be used in order to reduce the public debt, but they would help SOEs raise the much needed capital for their future investments. This was illustrated in the 'Action Programme for the Millennium' where the new government outlined its commitment to further develop public enterprises by making them more competitive and efficient in financial performance and services offered. In the government programme agreed upon by the two parties, it was stated (Taoiseach's website) that 'additional capital needs, where they cannot be provided internally, may be provided by means of strategic alliances which may also enlarge their market and by long-term pension fund and employee shareholding.' In addition, the Finance Minister, Charlie McCreevy, stated (personal interview) that 'there was no need at that time to use the privatization profits to reduce the public debt as the cumulative budget surplus would be exclusively used for that purpose.'

When Ahern's government was sworn into office the state possessed 80% of TE. Although the exact size of the stake that would be offered in the second TE privatization was yet to be decided, part of the deal was already known and another had become relatively certain. It was certain that the privatization would involve three different parts including KPN-Telia's option under the shareholder's agreement to acquire a further 15% for £200 million by the end of 1999, the ESOP and an IPO (flotation). More specifically, if the strategic ally exercised its full option, its percentage would rise to 35% and the state's stake would fall to 65%. Taking into account that both FF and the PD had promised that the ESOP would involve 14.9%, the public ownership would be limited to 50.1%. Hence, since the privatization also included a flotation, despite the fact that the precise percentage offered through the IPO had not been publicized, it was evident that there were no ideological reservations in surrendering the state majority shareholding status.

Following the elections and immediately after taking charge of her post as Public Enterprise Minister, Mary O'Rourke, noted her commitment to the government promises and objectives in relation to TE. The former had to do with the pre-electoral pledge for performing the ESOP. The latter dealt with the required transformation in accordance with the forthcoming liberalization. The pressure to align the Irish telecoms with European practices and encourage the private sector was a factor which the Ahern government had taken into serious consideration. Such a belief seemed to have growing support both in the government and the society. In an attempt to boost competition and assist growth in the sector, the government decided to scrap the voice telephony monopoly thirteen months ahead of schedule, meaning the 1st of December 1998.

The formal decision to proceed with the second stage of TE privatization was announced by O'Rourke in May 1998 and she stated that within one year the ESOP and IPO would have been implemented. The government believed that the company's privatization would help TE to expand along with the industry as the competitive landscape unfolded. O'Rourke argued (Dail:25-03-99) that 'the government decided to proceed with the IPO of TE at the same time as it announced the full liberalization of the market. Ireland's ambition to be a lead player in global e-commerce is dependent on a strong and internationally competitive telecommunications sector.'

Despite the fact that the TE privatization was being prepared and had evolved as one of the government's most important initiatives, there were voices of criticism for the impending process. The Irish Times insisted that the national government had a delayed reaction to the European developments and criticized it by stating (IT:31-07-98) that 'given the pace of technological change and the pace of globalization in world markets privatization of Telecom is essential. The government is very late in this regard in that virtually all of Europe's previously nationalized telecoms companies are now either fully or partially privatized.'

After the government announced its decision to proceed with the privatization, there were a number of issues that needed to be resolved. The Department of Public Enterprise in coordination with the Department of Finance were working diligently in legal, management and business affairs such as the preparation of the TE business plan, preliminary valuation exercises, corporate governance issues, prospectus drafting, overall size and structure of the IPO, preparations for research analyst presentations, banks syndicate structure, planning for the domestic retail offer, liaison with the strategic partner, the unions and the employee share ownership trust company and TE board composition. O'Rourke repeatedly noted that a number of the key decisions relating to the IPO such as the overall size of the offer, the structure of the offer and the price would not be made known until some weeks before the IPO date.

The conclusion of the ESOP was on the top of the government agenda not only because it was a pre-electoral pledge but more importantly because it was the means to accomplish industrial peace in the company and gain the agreement of the unions regarding the privatization. However, the government claimed that employee shareholding in SOEs was not the product of union pressure, but was a conduit for raising capital for TE's further development. O'Rourke verified the crucial joint commitment to satisfy the unions' request for the acquisition of 14.9% made by the Taoiseach, Bertie Ahern, and the Tanaiste, Mary Harney. The latter pointed out (Dail:01-10-97) that 'the government is committed to 14.9% at a fair price and that wording is under the names of the Taoiseach, the Tanaiste and myself.'

The timing and form of the ESOP was an issue that had involved ongoing discussions among the government, KPN-Telia, TE management and the union representatives ever since the government had been voted into office. There were certain issues that needed to be resolved before enabling the government to concede 14.9% of the company's stake. It was clear that since the beginning of the strategic alliance process, a shareholding of up to 5% had been earmarked for the employees under the TE partnership agreement in 1997 between management and unions. This was in return for the implementation of necessary restructuring and cost reduction measures within the company. Any transfer of shares beyond 5% could not be considered without the concurrence of the strategic partner, KPN-Telia. It turned out that the latter had no objection to it, as long as a fair deal was achieved.

In response to the union's demands to increase the employee shareholding to 14.9%, the government was open to feasible proposals. It made it clear that the additional 9.9% stake given to the employees would be paid to the Exchequer at a fair price. The exercise of determining a price for the shares required a valuation of the company. This would be carried out by professional advisors and would be undertaken as part of the renewed agreement. The latter foresaw the voluntary redundancies of approximately 2000 employees across the company and a range of changes in long-established working practices. On the 3rd of July 1998 the ESOP was formally endorsed by the company's 11,000 employees, who agreed to accept a deal that would give them a 14.9% stake of the company. The Communications Workers Union (CWU) General Secretary, Con Scanlon, said (EUROFOUND:98) that 'the result was a watershed for Irish industrial relations and a clear endorsement of the leadership position adopted by the union.'

In the run up to the privatization, the government made a number of changes in the structure of the TE board and appointed an additional executive director. It envisaged forming a board comprised of non-executive members who had wide experience in the international telecoms business or in major listed companies. The explanation given was that the board should be able

to attract the confidence of institutional investors, whose focus would be seen as driving shareholder value into the future and which would prepare the company both for the IPO and post flotation periods. Therefore on the 20th of January 1999 Brian Thompson, a US telecoms executive, was appointed as TE director and chairman of the board. Two months later he informed the minister that he had also accepted the position of chairman and chief executive officer of Global TeleSystems (GTS) which was in competition with TE. Due to the competitive interests of GTS and TE the government asked Thompson to step down from his TE position. The former minister and EU commissioner Ray MacSharry was named as his successor passing over Thompson's predecessor, Ron Bolger, who remained on the board and had previously handled successfully a number of IPOs.

The opposition criticized the minister for her handlings, which had not only left TE leaderless while critical negotiations were taking place, but also had caused internal distress to the existing board members. The FG spokesman, Ivan Yates, accused the government for appointing someone like Thompson who lacked loyalty and commitment to the largest privatization in Irish politics. Similarly, Emmet Stagg, spokesman of Labour on telecoms, condemned the minister by mentioning (Dail:25-03-99) that 'eight weeks ago with great fanfare a gentleman of whom I had not heard of before, Mr. Brian Thompson, was hand picked by the Minister and imposed on the board of TE as chairperson. In so doing, she pushed aside the existing chairman, Ron Bolger, and forced the resignation of other board members... Most of all this is an indication of the Minister's poor judgment.' Finally, Labour claimed that MacSharry did not have the appropriate qualifications, as they had been laid down by the minister and called the government to rethink its overall strategy and even postpone the proposed flotation.

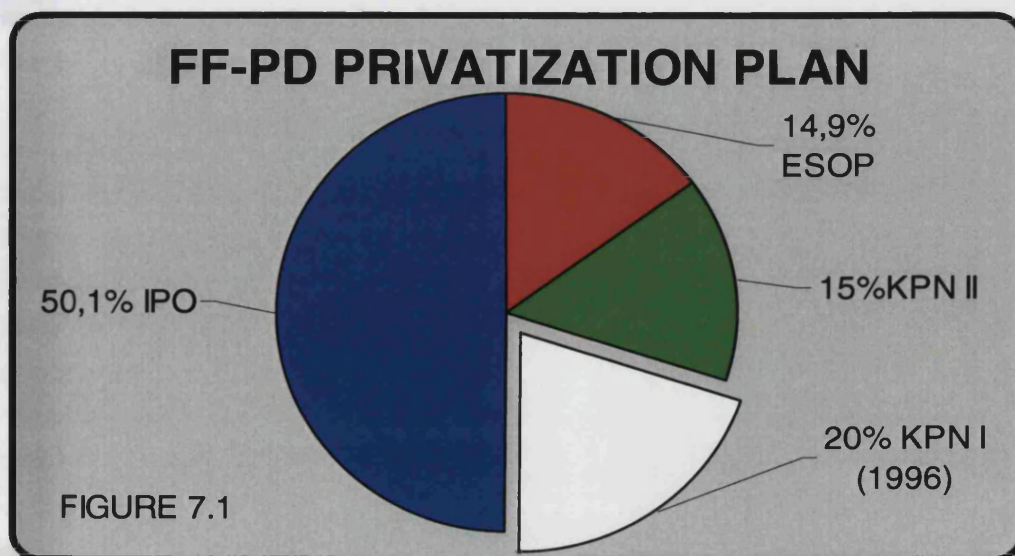
Another matter in need of a solution regarding the composition of the new board was the workers representation, as there was a disagreement between the government and the unions. On the one hand, the unions expected to retain the two worker-directors on the 12 member board and argued that they should be represented in their own right and not merely as shareholders. On the other, the government claimed that in the post-flotation situation TE would no longer be a SOE and, therefore, worker-directors' legislation would not be applicable. It argued that because workers would have shares in the company, they would be represented by one employee share option trust (ESOT) director.⁴⁵ In an attempt to resolve it, O'Rourke also appointed the former SIPTU leader, Billy Attley, to the company board. The unions welcomed the appointment but were not satisfied as it did not secure permanent worker representation. The General Secretary

⁴⁵ Both sides were very satisfied with the nomination made by the unions of Dick Spring, former Tanaiste and Leader of the Labour Party.

of the ICTU, Peter Cassells, was determined to deal with the issue of workforce representation on the TE Board, by bringing it to the trade union delegation. However, the relatively good working relations between the interested parties and their willingness to come up with an acceptable solution was exemplified by Con Scanlon, the CWU's General Secretary, who said (IT:28-04-99) that 'the Department, the company and ourselves have a role in solving all of this - and where there's a will, there is a way.'

The legal amendment enabling the reduction of the public shareholding in the company to a minority stake and secured by law the general principles of the privatization, including the ESOP and the IPO, the Postal and Telecommunications Services (Amendment) Bill 1999 was voted by the Dail in May 1999. The strategic investor's option to acquire an additional 15% did not need any further legal amendments because it was anticipated in the Telecommunications (Miscellaneous Provisions) Act, 1996.

Such was the magnitude of the TE privatization that if it were performed according to plan and included the IPO, ESOP and the strategic ally's option, it would undoubtedly become the single most important financial transaction in Irish politics (figure 7.1). Nevertheless, the privatization was important not only due to the reason mentioned above, but because it was considered to set a precedent for all potential upcoming privatizations. As a result, there was great concern that it should be executed in a smooth manner and should enjoy the support of all the involved national actors including the public, the unions and the political parties. This was verified by O'Rourke who stated (Dail:27-01-99) that 'the government recognizes fully the importance of this IPO project in the context of the precedent it may set for future changes in ownership of other state companies.'



Seeking to build a political consensus, the government accepted the opposition parties' proposal to bring a motion to the Dail in order to discuss and vote on the general principles of the TE IPO, the realignment of state assets and industrial relations. The motion sought the approval of the House for the general principles pertaining to two separate disposals of state owned shares in TE, namely, the sale and transfer of a 14.9% shareholding under the ESOP and the sale of a further tranche of shares in the IPO. Although the minister related the privatization with the liberalization of telecom services, there was no reference to Europe as such. She argued (Dail:13-05-99) that 'within this new liberalized environment we need a strong and competitive TE if our plans for Ireland are to be realized...The IPO is a logical follow-on from the strategic alliance with KPN-Telia and the ESOP which have changed the ownership structure of the company. There is a broad level of consensus for the flotation.'

While discussing the motion the minister clarified that the government's particular objectives for the TE IPO were (Dail:18-02-99) 'to maximize the proceeds to be returned to the Exchequer; ensure a successful IPO; promote wider share ownership and ensure value for money on expenditure related to the sale.' However, she made it clear that for practical, legal and commercial confidentiality reasons she would not discuss specific terms of the IPO. O'Rourke argued that in flotations of this nature many of the details involved, such as the definitive offer price and the ultimate split between the retail and institutional offerings, would not be decided upon until much closer to the IPO date. Thus the motion would deal only with the general principles which would be laid before the House validating though that a minimum of 20% of TE shares would be sold in the IPO.

In regard to the ESOP although the broad terms had been reached with the union coalition in March 1998, it was formally discussed in the motion. Specifically the ESOP provided that employees would pay (IT:14-05-99) '£190 million to the Exchequer by the ESOT for 9.9%' of the company with an additional 5% acquired in return for company restructuring. O'Rourke answered to her critics that the government was awarding shares to the unions in order to get their approval for the privatization stating (Dail:13-05-99) that 'I note many right wing economic commentators say 14.9% of shares in the company are being given to employees of TE. It appears to be left to the union and me to explain that the employees will pay for the shares...The sale of the 9.9% shareholding is a commercial transaction and the agreed price was based on a valuation of the company which was carried out by expert financial consultants engaged by my Department at the time.'

More specifically, the ESOT would source its funds through a TE contribution of £100 million to the ESOT which the company wanted to do, because it represented a fair value for the employees' agreement to contribute to their pension scheme and waive their right to certain bonus payments. As part of their contribution, the employees were paying 5.3% of their individual salaries to the pension fund. Heretofore, the company was making the full contribution. In addition, a total of £60 million would be raised by the ESOT, by way of a commercial loan, which would be secured against shares held by the ESOT and be repaid out of dividends received from its shareholding. Finally, the ESOT would make a final payment of £30 million, conditional on a company valuation of, at least £2 billion, one year after the date of the initial public offering. O'Rourke stated (Dail:13-05-99) that 'this ESOP is an important and innovative agreement, fully in line with the spirit of Partnership 2000 and in accordance with the Government's Action Programme for the Millennium.'

In fact, the workforce's support of the ESOP and consequently of the privatization was overwhelming. The company's employees were given individual formal invitations to participate in accordance with the joint conciliation council collective agreement. O'Rourke noted (Dail:13-05-99) that 'more than 99.9% of the staff have opted to participate and, as of today, only six individuals out of a total of 12,000 have declined.' Thus the largest privatization in Irish history, involving the selling of up to 80% of the most profitable SOE with three different methods enjoyed a celebrated degree of political and social consensus. As Simpson and Eisman (2000:110) argue, the ESOP was crucial in the successful carrying out of the privatization since 'the widespread employee participation proved a substantial motivating force in facilitating the implementation of the transformation measures, as the economic fortunes of the employees and the company became more closely linked.'

The Finance Editor of the Irish Times, Cliff Taylor, argued that the agreement between the government and the unions for the ESOP was crucial not only for the successful application of the TE privatization, but also for the stance that the political parties would hold on privatization. He noted (IT:30-06-99) that 'the key to unlocking the issue, politically, surfaced in TE. The CWU negotiated an innovative agreement under which Telecom's employees would end up with a 15% stake - some of it received in return for concessions on productivity and pensions. Telecom's employees will do very well from the arrangement. Suddenly, trade union opposition to future privatizations dissipated - provided similar deals were struck elsewhere. In turn, this means there is no mileage politically for any of the major parties to take an anti-privatization stance. Even the Labour Party, which traditionally would have favoured state enterprise, is now taking a pragmatic case-by-case view. But we are still a long way off developing a new paradigm on privatization.

With the old opposition disappearing, we must now develop a new approach to assessing the future of state enterprise.'

More specifically, the Labour Party had gained a lot of support in the previous elections for its anti-privatization agenda, but had ultimately come around to the point to argue, from the opposition benches, that it would consider the privatization programme of the government on a case by case basis. Labour verified the high level of consensus in the Dail via its representative, Brian O'Shea, who stated that his party would not vote against the motion, because it was in favour of the ESOP since this had been negotiated and agreed upon with the unions. However, he expressed his scepticism about the government's overall policy in relation to SOEs and the telecoms privatization as such. O'Shea noted (Dail:13-05-99) that 'another issue which perplexes me is why it was so important that this company should be the subject of these transactions at this time. TE is performing well and making a profit, but a great deal of taxpayers' money has been invested in it. What is the reason for doing this now?...From the sounds coming from both parties in Government, it seems there will be other privatizations. The Labour Party will take each as it arises and deal with it from there.'

The increased political consensus regarding the general principles of the privatization was a critical factor for its successful application. The FG spokesperson, Ivan Yates, made it clear that his party not only supported the flotation, but would even vote in favour of the TE ESOP-IPO motion. However, he raised a series of questions concerning the process. Firstly, he strongly advocated that there should be a loyalty bonus for those who retained the shares and held them for a five year period. Secondly, he urged the government to sell at least 35% of its stake to the public, in order to promote shareholding to the broadest possible audience across the country. In fact, he had repeatedly stated (IT:21-09-98) that 'FG believes that all 50.1% of shares in TE should be sold through the IPO in the middle of 1999.'

7.3 Privatization of TE, part II

Unambiguously, there was a great degree of agreement among the Irish parliamentary parties concerning the general guidelines of the TE privatization. When such a degree of political and social consensus is achieved, whether it is the result of careful political handlings, effective corporate governance or any other reason, the outcome is a smooth process which avoids political polarization and social volatility.

Before the outset of the TE privatization process, the majority of the Irish population had never owned shares in a publicly quoted company. O'Rourke emphasized (Dail:13-05-99) that 'one of

the objectives of the IPO is to promote wider share ownership in this country.' Therefore a significant tranche of shares would be made available to the citizens. She also stated (Dail:18-02-99) that 'the Irish people have contributed much to the development and success of TE over the years and they are entitled to share in the benefits of that success by being given the opportunity to participate in the flotation.' As a result a few weeks before the flotation the government decided to sell its entire remaining 50.1% stake. It made this decision not only to meet the unprecedented demand, but also because it believed that this action would produce satisfactory revenues.

The flotation would be the largest issue of shares of a SOE on the Irish and international stock markets and it was likely to attract strong international and domestic demand both by private and institutional investors. After the completion of the IPO of 50.1% of TE, the company would rank as one of the major Irish publicly listed companies. What would distinguish the TE privatization scheme was that virtually every customer in the state would have the option of buying shares in the company, probably at a discount to the institutional price. Therefore, the IPO was viewed as a watershed in broadening interest among private investors in directly investing in equities. It was agreed to adopt the FG proposal and make special offers for the issue of bonus loyalty shares to customers that would hold their shares for the long-term because they would help create a new base of small private investors. Finally, the government decided that it would not retain the right to exercise a golden share after the IPO.

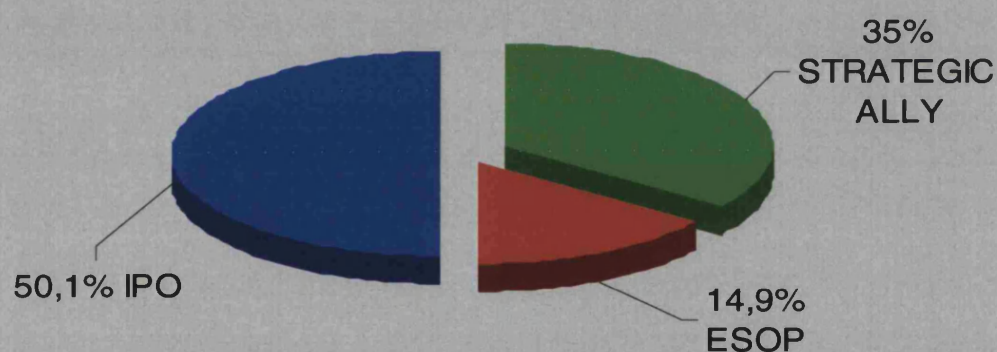
A major advertising and information campaign including radio, newspaper and television ads took place before and during the retail offer guiding the general public about the acquisition of shares. The government established an easy and user-friendly share application programme, which aimed to simplify the procedure. In order to inform the public about the flotation process, it set up a Share Information Office which had the responsibility to answer basic queries about the flotation and to pre-register potential share applicants. The retail phase included the sending of letters to over 2,8 million citizens across the country, through the An Post network, in advance of the start of the sale. The campaign aimed to inform the Irish public systematically about the pre-registration packages and the public were given the opportunity to register their interest in the retail share offer and those who did so had a priority in the allocation of shares. Finally, the slogan of the privatization campaign was 'it's your chance to share in the future of TE. Join in' and its purpose was to keep the public informed about deadlines of registration and prices.

The largest privatization in Irish politics took place on the 8th of July 1999 (figure 7.2). Trading began in the London, Dublin and New York stock exchanges. Simpson and Eisman (2000:111) analyze that the flotation was such a success that 'at the close of the pre-registration period, more than 1.1 million individuals –more than 40% of the Irish adult population- registered an

interest in the offering, many of whom had never before owned shares in a public company...at the closing of the retail offer, more than 570.000 individuals –over 20% of the Irish adult population- purchased Eircom⁴⁶ shares in the retail offer. The registrant conversion rate of 48% was the highest of any privatization to date. Most significantly, more than 60% of the retail investors who purchased shares in the offering were first time share-owners.' The BBC (08-07-99) described that the Eircom shares had such a great demand that 'the shares earmarked for individual investors were twice oversubscribed as many people used up life savings or took out loans to finance their share purchases... The smaller proportion available for foreign institutional investors (such as pension and investment funds) could have been sold out twelve times over.'

FIGURE 7.2

EIRCOM AFTER THE 1999 PRIVATIZATION



The government expressed its satisfaction through the Public Enterprise Minister, Mary O'Rourke, who said (BBC:08-07-99) that 'this is undoubtedly a historic moment for Ireland. We are absolutely delighted with the response to the retail offer from members of the Irish public, many of whom will become shareholders for the first time.' The TE chairman, Ray MacSharry, added (BBC:08-07-99) that 'the enthusiastic response, both from members of the Irish public and from institutional investors worldwide, demonstrated great investor confidence in TE and provided a solid platform for the company's future as a publicly quoted company.' Similarly, union representatives welcomed the fact that employees had acquired a stake in their company and expressed their hope that the TE ESOP would set a precedent for all SOEs.

⁴⁶ After the privatization Telecom Eireann was named Eircom.

The successful completion of the telecoms privatization was broadly acknowledged not only from the immediately related actors, but even from media specialists. In a report for 'The Privatization International Yearbook', Simpson and Eisman (2000:110) noted that the Eircom- privatization 'was the second largest privatization in Europe for 1999. The flotation was a landmark transaction in the Irish government's privatization programme and the largest single transaction in Ireland's history. The Eircom shares, generated an unprecedented level of retail demand –more than one in five adults in Ireland purchased shares in the offering, the majority of which were first-time stock owners.' Likewise, the Irish Times (10-07-99) noted that 'the campaign must be judged a huge success: the willingness of a broad slice of the Irish public to buy equities has been demonstrated beyond argument, and the 575,000-person take-up is proportionately larger than was achieved through similar mass marketing campaigns in the UK and elsewhere.'

Finally, the privatization was not only a success in terms of broadening ownership, but also as a financial transaction. The BBC (08-07-99) mentioned that 'the initial price values the company at 10bn euros (\$10.2bn) with the Dublin government raising 5bn euros from the sale of 50.1% of the company. That is equivalent to about 10% of the national debt.' In other words the government was successful in gathering the revenues it had planned for and this was confirmed by O'Rourke who publicized (Dail:29-09-99) that 'the amount raised for the Exchequer from the initial public offering was approximately £3.3 billion.'

7.4 Conclusion

When the FF-PD government took charge in 1997 the Irish political system had repeatedly demonstrated that it fulfilled the compound polity features. The overall corporatist governance model was continuously strengthened, as consecutive broad social agreements among national actors included more and more domestic actors and spread to affect additional issues. Coalition governments had become the norm for all Irish political parties, even for FF which was a traditional supporter of majoritarian politics. Such was the position change of FF that it proceeded with a joint statement of governance with the PD, before the 1997 general elections, indicating its intention to form a coalition government. Finally, the polarization of political parties was a characteristic of the past and had been replaced by a spirit of politics based on agreement and dialogue. Thus the Irish polity at that time can be justly portrayed as a compound polity.

The hypothesis argues that in compound polities privatization is presented as a socially acceptable managerial adjustment to market needs with minimum references to ideology or strategic objectives. The examination of the period of the Ahern government confirms that

legitimation for privatization is a sui generis matter, free from ideological preconceptions or indirectly related strategic needs.

In relation to the TE privatization performed by the Ahern government, the type of discourse produced in compound polities confirms the hypothesis, as there is a very comprehensive coordinative discourse and an insignificant almost unneeded respective communicative. Although there was a relative degree of agreement between the political parties and the unions concerning privatization as a general principle, such a great level of political and social consensus would have been unfeasible in case the national actors were not facilitated by the coordinative spirit of the corporatist system. The latter enabled the domestic actors to negotiate under a reasonable institutional framework and ultimately to agree upon the details of the TE privatization. As a result, the government did not need to resort to an intense communicative discourse to justify its decision to privatize TE.

Moreover, it was not required to legitimate the application of the policy on an ideological claim or associate it with any national strategic reasons in order to convince the public as it had already garnered sufficient support in the policy formulation process. O'Rourke verifies the absence of an ideological position noting (IT:10-05-99) that 'our manifesto for government stated quite clearly that we would look at each semi-state on a one-by-one basis...Each company has its own particular needs and requirements. So it's not simply a question of saying that we are pro-privatization merely for the sake of it. Some companies are not suitable for privatization just yet, others are. What matters most is that they become more competitive and react to the many changes taking place in the market place.' In the same manner, the Finance Minister Charlie McCreevy stressed (personal interview) that 'we always have adopted a case by case basis; we did not have an ideological position, one could say on the lead up to that election. The PD, they were part of the government, you could term them that they had an ideological position about state companies in a day that all state companies should be sold off. What the programme for government did in 1997 was to match two positions and that is why I assume that particular phraseology was used in order to match two positions... In that government we always used the line that we deal with each case on its merits on a case by case basis. We were very conscious of not being caught of having an ideological position on privatization. Always our position was that we deal with each state company on a case by case basis.'

In the same manner, the government did not justify its privatization programme on other strategic national reasons such as pressing budget needs. Despite the fact that ever since taking office, the Taoiseach had stressed that entrance to the single European currency was his main priority, at no point did the government have to make use of the privatization proceeds in order to fulfil the

EMU entrance criteria. Although it had set early on the reduction of the national debt among its strategic goals, and the fiscal trauma of the 1980s made this politically attractive for some politicians, it was eventually not considered to be the optimum solution for the economy in the long run. As the economy continued to grow exceptionally rapidly, the repayment of the public debt was a stated priority. However, the budget surpluses and not the privatization revenues were going to be used for that purpose. McCreevy emphasized (personal interview) that 'at that stage we had budgetary surpluses in Ireland, so [reducing the public debt] was not a prime consideration there. I, as minister of Finance, of course was automatically trying to reduce the public debt. What I did do though was the total proceeds that I got from telecom I actually put £800 million to pay off a long term liability of a pension fund, when we originally split post and telecommunications in 1984. I paid a big dub of money into that and then I kick started the national pension reserve fund.' This assumption verifies the fact that the government did not have to resort to the argument that it had to privatize in order to achieve fiscal stability.

Finally, despite the unambiguous crucial role of the EU policy and legislation in the national policy spectrum, which arguably accelerated the privatization process across Europe, it was not employed by the government as an argument in the domestic discourse. The government claimed that its policy on the liberalization of state companies would be based on practical considerations and in the interests of the economy, the taxpayers, the company, its employees and customers. The EU references made by the Ahern government and the social actors involved, legitimating or even condemning the TE privatization were minimal and of little importance. Extensive Europeanization references were not required, because there was already a high level of political and social consensus favouring both the liberalization and the privatization. Thus the decision to privatize did not spark a heated political dialogue between political parties and social actors and the appeal to EU constraints was not among the requirements that would facilitate the government to perform the policy. This is confirmed by McCreevy who stated (personal interview) that 'it was accepted by all the parties that: what was the state doing in the telecoms business? It was time to exit the telecoms business. It was a job better done by the private sector, and of course there had been good examples all over the world...I cannot remember any debate in that aspect [Europeanization] at all, any reference to an EU dimension at all, at the time at the Cabinet table. The only reference is that we saw that German telecoms had gone well not long before us, and they had got a lot of money, and we were trying to hit the top of the market and with a bit of luck, a lot of luck, we actually hit the top of the market.'

In conclusion, the second part of the hypothesis is confirmed to a great extent. The government did not publicly legitimate the privatization of TE either on an ideological basis or on strategic

grounds such as budget needs or EU constraints. All of the above might have been important factors in the overall political scene however they were of little significance regarding the actual public legitimation of the TE privatization. This was due to the fact that the TE privatization was the product of a broad political, social and economic agreement involving all of the political parties, the unions, the company and other interest groups. Thus, the government did not have any problem in justifying the specific privatization on its merits as it represented a socially acceptable managerial adjustment to market needs that were considered to benefit the company and the national economy.

Chapter 8: Greece 1996-2000 Privatizing in the Run-up to EMU

8. Introduction

This chapter investigates the domestic discourse in the period of the Simitis governments from 1996 to 2000. It analyzes the factors that were formally cited as the key incentives to initially speed up and eventually legitimize a broad privatization programme. It illustrates the conditions under which the government made an effort to meet the EMU criteria on time and to utilize the prospect of joining EMU, as a political stimulus to promote its reformist agenda.

8.1 The strategic objective of EMU membership and the first OTE privatization

In January 1996, three days after Papandreou resigned from the post of PM, Costas Simitis was elected as his successor by the parliamentary group of PASOK. The newly-elected PM clarified immediately that the fundamental objective of his government was Greece's participation in EMU. Simitis (2005:39) characteristically stated that 'it was our duty to set as our central priority of our national strategy the entrance to EMU. I firmly believed that EU membership on its own was not sufficient to guarantee the economic and financial benefits that EMU would ensure via participation within it.' The PM repeatedly argued that Greece must converge with the other member-states and participate in EMU. Simitis (12-03-96) passionately underlined that 'Greece must follow the European processes, Greece must succeed in participating in EMU, Greece must reach the same level of achievement as the other European countries.'

The PM emphasized that in order to achieve the critical goal of entering EMU it was essential to appeal to the entire society and build an advocacy coalition of all the related actors agreeing with this objective. The first task was to inform the general public and explain the consequences of failure to enter EMU. Simitis (2005:169) noted that 'PASOK's new government simplified and expressed the dilemma that the country was facing at the time: do we wish to be part of the powerful global economic centres and have the capability to influence a wide area of policies and have a solid currency thus arming the national economy against international crises? Or do we believe that despite our shortcomings we will be capable, on our own, to control the international developments to our advantage? EMU is the means to put an end to the times when Greece was a peripheral member of the Union. We should not allow our country to miss on any future opportunities.'

The PM was determined to apply a stabilization policy and implement structural reforms that would facilitate the government to pursue its EMU membership. Without any delay the

government took two major initiatives to help SOEs modernize and restructure. First, it passed Law 2414/96 which aspired to make all SOEs financially viable companies and also aimed to improve their efficiency and transparency. This law established the appointment of successful technocrats as managers and made compulsory the drafting of business plans. The key word Simitis used and which practically summed up his entire manifesto for the public sector was modernization. His priority was to improve SOEs' management in order to make them more efficient, effective and economical to run.

Secondly, the government was determined to accelerate the privatization process which was considered the driving force in the stabilization procedure. Simitis believed that Law 2414/96 was not sufficient on its own to modernize the public sector and argued (2005:217) that 'since this step was not considered to be enough we decided to transform all SOEs into share companies and introduce most of them to the stock market. Thus we would create all the appropriate conditions to privatize them in the future if we considered it to be meaningful.'

The response of the economic and social actors to Simitis' election to office and to his general guidelines was positive. The concurrence regarding the necessity to participate in EMU raised hopes that some form of social consensus would be achieved in order to facilitate the country meeting its strategic goal. The Commission President, Santer, welcomed the change of PM because Simitis was regarded as a Euroenthusiast and he also agreed with the overall objectives set by the new government. Similarly, the Governor of the Bank of Greece, Loukas Papademos, and the President of SEV, Iason Stratos, expressed their satisfaction and at the same time urged the new PM to speed up the privatization process as a means of helping the economy revive. Finally, the President of GSEE, Christos Protopapas, argued (Kathimerini:20-01-96) that 'the workers anticipate and request structural reforms in the national economy to restructure SOEs, boost their development and increase their competitiveness.' At least initially there was a relevant degree of agreement among domestic actors that changes were required in order to improve the public sector and the national economy.

Shortly after becoming PM, OTE's flotation was identified by the government as the primary short-term objective. This was verified by the Finance Minister, Papantoniou, who stated in an interview to Kathimerini (24-03-96) that 'as soon as the new government started functioning we immediately made certain decisions. The flotation of OTE, which is doing well, is one of the most important.' In fact, the government swiftly passed Law 2374/96 which specified the exact details of the flotation of 8.034% of OTE's shares. The flotation scheme included (Kathimerini:10-02-96) 'an increase of the company's capital share equal to 6.034% of the shares and an additional 2% through a public offering. The total amount of shares that would be floated would be 24,014,384

of which 4,014,384 would be allocated through an ESOP to the company employees and pensioners, 12,000,000 would be available to the general public and the final 8,000,000 to institutional investors.'

In cooperation with OTE's administration a very successful public advertising campaign was enacted aiming to attract many private investors with messages such as (Kathimerini:02-02-96) 'every household and a share' and (Kathimerini:02-02-96) 'OTE: it connects us.' The advertising campaign had a twofold result concerning privatization in general. Firstly, it was based on the notion of popular capitalism, therefore advertising the flotation as a measure that would simultaneously help the company modernize and benefit the investors. Secondly, it wiped out the negative perception that the general public had of privatization due to its demonization by the unions and PASOK in the early 1990s.

Despite the fact that ND and POLAN were in favour of a partial privatization of OTE they were not willing to vote for Law 2374/96 unless the following conditions were met. They requested to receive information, publicly or in private meetings, on the exact price per share the government would set in the IPO and demanded to know the precise evaluation of OTE's entire property. ND stressed that (Kathimerini:22-02-96) it 'would not accept any price that valued the organization for less than 1,7 trillion drachmas.' Papantoniou refused to give exact numbers for reasons of market strategy, but reassured Parliament that the terms set by the opposition parties would be largely fulfilled. This reassurance, however, was not enough to convince ND and POLAN to vote in favour of Law 2374/96 verifying that the concept of political consensus was almost inexistent in Greek politics. A few days later it was made public that the government decided to set the price at (Kathimerini:14-03-96) '4000 drachmas per share which meant that the entire company was – theoretically- evaluated at 1,676 trillion drachmas.'

The first major privatization of a Greek SOE was completed with the flotation of 8.034% of OTE's shares in the Athens Stock Exchange on the 29th of March 1996. The public offering of OTE's shares demonstrated that as long as the general public was well informed about the privatization details, it could facilitate the government to overcome difficulties in the process. The public not only endorsed the policy, but more importantly it was convinced that privatization would benefit the shareholders and the economy. A remarkable number of citizens and OTE employees registered an interest in the offering and for the first time private investors owned shares of a public company. In fact, (Kathimerini:30-03-96) 'at the close of the retail offer more than 160,000 people purchased shares of the company and the general demand during the pre-registration period covered almost 4.5 times the number of shares issued.' Simitis (2005:218) remarked that 'the first significant privatization attempt was the successful introduction of OTE to the Athens

stock exchange...which was the largest public registration in the stock market's history and increased its capitalization by 40%.'

The flotation of OTE signalled the government's determination to meet the EMU criteria, restructure the national economy and modernize SOEs' administration even if that meant that it had to clash with traditional vested interests. Although in this flotation the employees were given the opportunity to purchase shares through the ESOP, which would give them a stake in the future growth of the company, OME-OTE had expressed its opposition to the whole scheme and had proceeded with a series of strikes. In contrast to what OME-OTE was putting forward (Kathimerini:30-03-96) approximately '19,000 out of the 24,000 workers that OTE employed during that period and an additional 5000 pensioners applied to purchase shares of the company.' By applying to purchase shares through the ESOP, the vast majority of the OTE employees endorsed the scheme and sent a clear message to OME-OTE that they were in favour of the flotation.

The overcoming of the unions' resistance to the OTE flotation marked the government's intention to confront interests that impeded the overall SOEs' modernization process. The advantageous position of the unions in comparison to the SOEs' management was a characteristic that the government did not neglect to point out. Simitis (2005:220) argued that 'after the flotation [of OTE] we put an end to an unusual regime of co-operation within SOEs between the unions and the general directors. The latter, who were appointed by the state were in a disadvantageous position when compared to the former, because of their frequent change and powerlessness to execute their decisions. The only constant and well organized interests in most SOEs were those represented by the unions. Therefore they were capable of enforcing their own on the administration of the company.'

Moreover, the flotation of OTE disposed of the ideological constraints within PASOK as far as privatization was concerned. The period when PASOK contested the neo-liberal privatization policies of ND belonged to the past. The Simitis government considered privatization to be a useful tool that would help improve specific economic figures, further develop the company and stabilize the national economy. In a report for 'The Privatization International Yearbook', Kyriazi (1998:145) noted that 'it is ironic that the largest sale to the public of a state owned utility should be achieved by a socialist government which had previously (admittedly under a different guise) vetoed any attempts by the conservative ND party to undertake the sale.' Finally, drawing on the government's expressed intention to participate in EMU and privatize more SOEs, the IMF asserted in one of its reports (Kathimerini:02-07-96) that 'the successful flotation of OTE should give an additional push to the government to proceed with more privatizations.'

8.2 Increasing the privatization pace, aiming at EMU participation

The founder of PASOK, Andreas Papandreou, died on the 23rd of June 1996 leaving the post of PASOK's president vacant. One week later, at the party's conference and in a tight vote, PM Simitis was elected leader of PASOK. However, there was still a significant number of PASOK MPs that were firm to the party's traditional statist policies of the past and were not prepared to defend the modernization agenda. In fact, the Financial Times reported (Kathimerini:02-07-96) that 'Simitis' election signifies a victory for the European section of the party.'

Despite his election as party leader, Simitis believed that he was not able to implement the required structural reforms with that specific parliamentary group and declared general elections. This decision served a twofold objective: firstly, it would give him the opportunity to renew PASOK's parliamentary group and secondly, in case of victory, he would obtain the approval of the Greek electorate and the personal legitimation to carry on with the modernization agenda regarding the national-strategic economic goals his government had earlier set.

Although the Simitis government had successfully completed the first major privatization (OTE's flotation), before the 1996 elections the issue was at the centre of the political debate. Both PASOK and ND had committed themselves during the campaign to implement a series of privatizations, in case they took office. Characteristically, the message given by PM Simitis to the electorate, in an interview to Kathimerini (08-09-96) was that if PASOK won the elections 'we will do nothing less but insist that our programme and strategic goals —entrance to EMU- are fulfilled.' In the meantime, SEV sent a formal memorandum to all the parties requesting that they should be prepared to perform a broad privatization programme. It perceived that the national economy remained unhealthy and the prospect of not fulfilling the EMU criteria was more than apparent. Privatization was relatively the most practical method to increase public revenues and in turn decrease the debt and close budget deficits, which were both among the EMU criteria. SEV noted (Kathimerini:11-09-96) that 'no government has made any credible efforts to reduce the state which is the cradle of all the problems of the national economy...it is necessary to apply a brave denationalization process.'

A comfortable parliamentary majority for PASOK was the result of the September 22 1996 elections, as it gathered 41,61% of the votes. Immediately, the modernization of the public sector and the stabilization of the national economy were acknowledged as the government's ultimate objectives. Simitis argued that they were the keys to EMU participation, which was acknowledged as the great national objective. Characteristically, the PM stated (Kathimerini:20-11-96) that 'by all means we must succeed to be part of the core EU member states in the EMU. Only then will we

be able to have an influential role in the decisions that will be affecting us. Therefore EMU membership is not only an economic issue, but mostly a political one. In fact the economic policy that we have decided to apply is part of an entire development plan which aims to restructure all of the public sector.' However, during that period, Teodor Sonnebeck, Head of the Deutsch Bank Research, argued (Kathimerini:06-10-96) that 'the possibilities of Greece entering EMU are without any doubt limited...the economic reforms are proceeding very slowly.' Similarly, the forecast regarding EMU participation were not encouraging since 30 economists, according to the Reuters News Agency, commented (Kathimerini:15-05-97) that '14 out of the 15 member states will fulfil the EMU criteria. Only Greece will not fulfil any of the criteria.'

Despite the negative forecasts all of the economic planning of the Greek government was focused on the Maastricht criteria accomplishment. The 1997 budget was the first financial plan largely approved by the Commission. The targets set were considered realistic and towards the right direction because it anticipated an austere economic policy. The signals the government was sending to the EU and those it was receiving about its economic figures were positive for the first time. Nevertheless, at the same time, the pressure on the government to accelerate its privatization programme in order to improve specific economic figures was increasing. The IMF outlined 15 measures that the Greek government should implement in order to increase its pace and reach the goals both of the convergence programme and EMU. The report noted (Kathimerini:22-05-97) that 'the government must adopt a bolder privatization programme concerning the companies of OAE...we urge the Greek government to speed up the selling of shares of OTE and DEH and expand the privatization programme, in order to strengthen the economic discipline.' Similarly, SEV stated in a press conference (Kathimerini:26-09-96) that the government 'must proceed with a bold privatization programme in order to succeed with the reform of public economic policy.'

Subsequently, after the recommendations to speed up its privatization programme the government declared that it would complete the second flotation of OTE within the first half of 1997. The flotation as such did not meet noteworthy resistance by the national actors but the government associated its completion with EMU participation. In fact, it made known that due to the pressure to decrease budget deficits and trim down the public debt, the proceeds would be allocated between the enterprise and the Exchequer indicating that the government was determined to converge with the European economies and meet the Maastricht criteria. More specifically, (Kathimerini:13-04-97) '60% (160 billion drachmas) would go to the enterprise and 40% (110 billion drachmas) to the state.'

The second flotation of the national telecoms took place in June 1997 and enjoyed broad public support. After a capital share increase reaching 7,5%, 12% of the shares were floated in the Athens Stock Exchange Market. In an attempt to reward the initial OTE shareholders and include the company's employees in the scheme both groups were given a 15% discount on the opening price of the share. Once more the Greek public showed a very high level of retail demand for OTE shares. Kathimerini reported (15-06-97) that 'at the close of the retail offer more than 240,000 people and seven hundred institutional investors purchased up to 53 million shares of the company, while the general demand during the pre-registration period covered almost 3.5 times the number of the shares issued.'

In the meantime, in the spring of 1997 the government was determined to enact a social dialogue and reach a tripartite agreement on a wide range of issues. Among others the social dialogue would deal with labour market reforms, competitiveness of the national economy, policies that would promote growth and employment and even a chapter on privatization of SOEs, mostly those that were not viable and burdened the budget. The government argued that it considered the social dialogue as a necessary instrument in order to improve the condition of the national economy and deal effectively with pressing issues such as the reform of the labour market and the competitiveness of the public sector. PM Simitis emphasized the role of the EU and stated (Vima:18.05.1997) that 'in case we fail to succeed to join EMU we will lead the drachma to devaluation, inflation will rise, external borrowing will increase and at the same time decrease employment and prosperity. We will have chosen on our own a national defeat which will affect the economy and the society but also our international status. The government has no room to accept such a defeat.'

The PM opened the formal process of the social dialogue on the 14th of May 1997 by calling all sides to work together in order to tackle poverty and unemployment. Simitis declared (Kathimerini:14-05-97) that 'the inability to achieve a social consensus is a national failure.' A similar point of view was expressed by the Vice-President of SEV Nikos Analitis who noted (Vima:11.05.1997) that the 'necessity to reform the economy is very strong and pressing. The best method to decide the way to resolve all of the problems is through a dialogue.' Similarly, the President of GSEE Christos Polizogopoulos mentioned (Vima:11.05.1997) that 'the social dialogue is a necessary process for the labour union movement. We always seek to reach broad agreements regarding the key issues of the national economy.'

Although an agreement was eventually reached between the government and the social partners, the 1997 Confidence Pact, there were many problems regarding its actual application. Papadimitriou comments that (2005:386) 'despite having invested much political capital in the

whole exercise, the government received a mixed return from the Confidence Pact. On the one hand the Pact gave the government the opportunity to claim that an agreement of this kind signified a real breakthrough in its relations with the social partners and the political traditions of the country. Yet in the process of keeping the social partners on board, the government had paid a heavy price: the text of the Confidence Pact remained vague and general and no agreement was reached over the specific direction of the forthcoming reform.' In fact, less than a year after the conclusion of the Confidence Pact, the common ground that had been built between the government and the social partners withered away as the unions accused the government for actions that were not in line with it. At the same time the opposition parties were not providing any sense of backing up to the reform momentum that the government was trying to put into force. In other words, the most significant attempt to reach a form of a social partnership in Greece was unsuccessful as the 1997 Confidence Pact was never put into action. Such a development confirmed that the policy-making process largely resembled the simple polity features despite the attempts to amend it.

Such was the determination of the government to join EMU that in March 1998 Greece entered the Exchange Rate Mechanism (ERM) after performing a 13.8% devaluation of the drachma. Despite the critical response of the press, the opposition parties and the general public, the government was aware that in order to maintain the possibility of participating in the first group of member states that adopted the Euro, it was a necessary measure. It was unambiguous that the devaluation was carried on at that specific period because the compulsory 2 year participation in the ERM was among the economic criteria to enter EMU.

The government argued that the devaluation would make the national economy more competitive without generating large inflationary pressures. PM Simitis repeated constantly that such an approach was necessary because it was the only way to meet the EMU criteria. This was eloquently stressed by Simitis (07-05-98) who argued that 'our decision is the result of a realistic evaluation of what is taking place around us. The world is becoming more competitive and we must respond successfully and take advantage of these new conditions...we must understand that we are no longer a small country somewhere in the world, in the corner of Europe that can do whatever we think is better for us without taking into consideration what is happening around us. Whether we like it or not, we are part of a wider framework and we must play by the rules that apply to each one of the participants.'

Although President Santer expressed his support, he noted that additional measures were required and made references to privatization. More specifically he argued (Kathimerini:17-03-98) that 'Greece's entrance to the ERM will help increase its credibility in economic policy. This will be

achieved only in conjunction with the ambitious plans of the government for fiscal compliance, privatizations and market reforms.' During the same time, SEV's Foundation of Economic and Industrial Research, IOBE directly linked EMU membership to the acceleration of the privatization programme. IOBE reported (Kathimerini:16-04-98) that 'the only way to meet the Maastricht criteria is by simultaneously decreasing the interest rates and inflation, which can be attained only by speeding up the privatization process. If this does not happen we will be led to a series of vicious circles resulting in additional devaluations, high interest rates and inflation...a drastic privatization programme will decrease both the inflationary pressure and the future prospect of the development of prices.'

Thus, immediately after the PM returned from Brussels, following the devaluation, the speeding up of the privatization programme was formally announced. This was an attempt to boost the national economy on the way to EMU membership, as 12 additional SOEs entered the privatization agenda. Simitis (2005:19) directly related the acceleration of the privatization programme with EMU participation arguing that 'after the entrance of the drachma in the ERM in March 1998, the privatization process was accelerated. Mr Papantoniou announced a specific timescale of denationalizations, wanting to send a message both to the EU and the international capital market that we are determined to modernize the structure of the Greek economy.' It is characteristic that on the same day the government held a number of meetings where it was agreed to float an additional 15% of OTE's shares within 1998. However in order to complete such a flotation it was necessary to amend Law 2257/1994 and include a provision allowing the private sector to hold more than 25% of the shares.

Apart from the acceleration of the privatization programme, the government announced a general SOE restructuring plan. It laid particular emphasis in the modernization of the wider public sector since it was fundamental to make state champions more responsive and competitive to the market needs. The case of various SOEs such as Olympic Airways (OA)⁴⁷ became of primary importance. A press release from the PM's office stated (Simitis:19-03-98) that 'we must intensify the effort to restructure SOEs by setting as their ultimate objectives: initially reducing their deficits and eventually delivering upgraded services at a competitive cost.'

At this stage the campaign to inform the domestic actors about the inevitable international developments which were shaping the national economic planning was intensified. The PM was completely aware that the restructuring process would be far from effortless due to the systematic

⁴⁷ It was declared that OA would be either reformed or shut down since it was the largest loss-making SOE and was a constant wound to the national economy.

opposition of the unions to yield most of their vested privileges. Simitis (02-06-98) pointed out that 'the process of achieving entrance to EMU entails difficulties such as the general restructuring of the public sector and the upgrading of its competitiveness. In order to accomplish this it is necessary for the public administration, the employers and the labour unions to come together and work for the common good.'

Although there was an intention to follow a strategy based on compromise and not on direct confrontation with the unions, the PM recognized that this was an extremely difficult task. The unions were determined to stand against the government in any measures that would significantly modify the status quo. Simitis argued that if no agreement were reached, his government was prepared to clash with the domestic actors that impeded his policy objectives. He (02-06-98) stated that 'behind the socioeconomic relations that must be altered in order to help our country advance are some people who have linked their economic existence with certain uncustomary relationships or mechanisms that have helped them protect their short-term interests, but have harmed the society overall and even themselves in the long run...For example, the employees of an SOE. Many of the employees have expressed their disagreement with our measures. However, our country will advance only if these measures are implemented...We cannot enter EMU by allowing the incubation of a series of problematic companies that belong either to the public or private sector. For the benefit of the employees themselves, in order to avoid massive unemployment in the future it is critical to create all the necessary conditions that will allow these companies to increase their efficiency and productivity.'

8.3 Privatization as a tool to achieve EMU participation

The first encouraging signals regarding the Greek candidacy for EMU were made by the ECOFIN in May 1998 which stated (Kathimerini:02-05-98) that 'the Council notes the substantial progress that Greece has made in relation to the fulfilment of the convergence criteria. We express our satisfaction for the determination with which the Greek government has applied policies for the fiscal control and the restructuring intervention in order to allow Greece to participate in the third stage of EMU starting on the 1st of January 2001.' This assertion sparked such enthusiasm in the Greek government that Papantoniou (Kathimerini:02-05-98) argued that 'this statement almost means that Greece is the 12th member of the eurozone.' Without any doubt the Greek economy was converging, however it was still lagging behind when compared to the other European economies.

At that period the recommendations to firmly apply a broad privatization programme in order to ensure EMU participation were growing. As a matter of fact, the association between the

privatization programme and EMU membership was eloquently described by the OECD representatives in Athens in the summer of 1998. The OECD stated (Kathimerini:25-06-98) that 'the government must speed up the privatization process in order to increase its chances to enter EMU.' Similarly, the President of SEV (1998), Iason Stratos, argued that 'if Greece really wants to participate in EMU, it must seriously deal with the restructuring of the public sector, the acceleration of privatization and the continuation of stabilizing macroeconomic figures.'

By the summer of 1998, the government regularly expressed its optimism that ultimately Greece would meet the Maastricht criteria on time. During that period the PM proclaimed (Simitis:30-06-98) that 'we are very close to meeting all three of the Maastricht criteria.' It expressively acknowledged the relationship between the privatization of SOEs and the effort to get on track for the Euro. Papantoniou argued that Greece would fulfil all of the Maastricht criteria and would succeed in entering EMU, since (Kathimerini:16-05-99) 'the public debt will further decrease, because we expect to collect 800 billion drachmas from the privatizations.' In relation to the other criteria Papantoniou repeated that the revenues from the privatizations for 1999 would be a record 3 trillion drachmas and stated (Kathimerini:05-05-99) that 'privatizations are the steam-engine of our economic goals, EMU membership, since they will help reduce interest rates and thus decrease inflation.' In fact, two years later Papantoniou pointed out (SEV:2001) that 'between 1998 and 2000 the government completed an extensive privatization programme. The revenues collected exceeded 3.1 trillion drachmas, approximately 3% of the annual GDP.' In other words the privatization programme gave a boost to the economic policy since a significant amount of the receipts were used to meet the EMU criteria.

The government legitimated its overall economic policy with the attainment of its strategic goal, EMU membership. In October 1998, the government was consistent with its timetable and was determined to proceed at once with the third package of OTE's flotation, although the company's management had expressed concerns about the situation of the financial markets at that period. The amendment of Law 2257/1994 had been performed and the private sector was enabled to own up to 49% of OTE's shares. Thus 15% of the company's shares were floated and again the general demand during the pre-registration period largely covered the number of the shares issued. The high demand verified the fact that the society had not only accepted the concept of popular capitalism but had actually endorsed it. However, the significance of the third flotation laid in the fact that, for the first time, shares of a Greek company were introduced and competed on the NYSE which was a boost of confidence in the government's economic policy. After the successful flotation, Papantoniou confirmed the pivotal role of privatization in the attempt to meet the EMU criteria stating (Kathimerini:10-10-98) from New York city that 'the Greek government is applying a very ambitious macroeconomic programme and readjusting it within the EU framework

in order to meet the EMU entrance criteria by 1999...the privatization of 12 companies and 4 banks between 1998-99 is a critical feature for the achievement of our economic objectives.'

The accomplishment of the EMU criteria was without any doubt the most important government objective. The Deputy Minister of Economics, Nikos Christodoulakis, underlined (Kathimerini:07-03-99) that 'Greece must by all means participate in EMU and associate its interests with those of the other European countries and acquire power from the economic development and gain a place in the modern developed world.' Its association with the acceleration of the privatization process, including the OTE flotations was largely undisputable. As Papantoniou argued at the time (Washington Times:10-11-99) 'the strategy to accomplish EMU convergence...is based on three pillars. The first is macroeconomic convergence, which essentially means the reduction of the fiscal deficit. This has been more or less achieved. The second is the improvement of our infrastructure through large investments in transportation and other structures, both in the economic and social field. And thirdly, with structural reforms...We have made considerable progress on the structural reform front, as you know, over the last couple of years, especially in terms of privatization, which we administered at a pretty fast rate'

The government's optimism was affirmed by the Commission's 1999 forecast for the economy which predicted that Greece would be meeting all of the EMU criteria, if the pace of the economy and the reforms were not obstructed. For the first time the Commission made it clear that Greece was numerically converging with the EU and that it was 'ante portas' of the EMU. The same conclusion was confirmed in March 1999 again by the Commission, which publicized its report on Greece arguing that it would meet the Maastricht criteria on time with the other member states if it continued its economic policy at the pace the government had announced. In a special chapter on Greece's economic policy the Commission noted (Kathimerini:31-03-99) that 'it is a pressing necessity for the government to accelerate its commitments and especially the path of denationalizations, its battle against tax evasion, to contain the public debt and to establish a precautionary policy in confronting unemployment.' The progress of the Greek economy was recognized by foreign leaders such as the German Chancellor, Gerhardt Schroeder, who confessed (Kathimerini:18-03-99) that 'I am absolutely amazed by the fiscal discipline that has been achieved by the government here in Greece, which I have to congratulate. It is true that all of the Maastricht criteria are fulfilled.'

The positive forecasts and remarks did not slow down the privatization programme which was admittedly the steam-engine of the national economy. In April 1999 the government decided to proceed with the fourth flotation of OTE which would bring down the total stake of the public shareholding to 51%. The plan was to float 14% of OTE's shares of which the largest amount

would be introduced to the NYSE and a smaller one to the domestic market. The fourth public offering of shares was completed in June and established OTE's dominant position as the highest capitalized company in the Athens Stock Exchange.

By the end of 1999, the government's economic planning was going according to schedule and such was the certainty that Greece would participate in EMU, that Simitis and Papantoniou frequently repeated that the 2000 budget was the last using the drachma as the national currency. The government's optimism was confirmed on the 1st of February 2000 when ECOFIN announced that Greece had met all of the necessary criteria on time and was ready to adopt the Euro. EMU membership signalled a historic moment for the Greek economy, which had attracted widespread criticism since Greece joined the EU.

8.4 Conclusion

This chapter examined the first part of the hypothesis supporting that in simple polities privatization is justified principally on a pro-market ideological basis or an expressed strategic objective. The conclusion reached is that in relation to the OTE flotations the first part of the hypothesis is verified as all of the conditions required are met. Greece was a simple polity, privatization was principally legitimated on an expressed strategic objective, EMU membership.

The first task is to verify that when Costas Simitis was PM from 1996-2000,⁴⁸ Greece fulfilled most of the features attributed to a simple polity. Firstly, PASOK had obtained a comfortable parliamentary majority and formed a single party government. Secondly, due to the adversarial and majoritarian nature of Greek party politics, PASOK did neither expect nor receive any consent for its privatization agenda within the Parliament. Thus the polarized political environment is confirmed. Thirdly, despite the fact that initially there was an attempt to engage in social dialogue and include labour unions in the policy formulation process, the 1997 Confidence Pact was never put into actual application. As a result, due to the absence of a well-functioning corporatist system the government had to appeal to the entire society in order to justify its modernization agenda. As a result, the communicative discourse was much more intensive than the respective coordinative. The Greek polity could then be characterized as a simple polity as it was based on a single party government that functioned within a polarized political environment and was not able to create the circumstances that would lead to an effective social agreement or to incorporate interest groups in the policy-making process.

⁴⁸ Simitis served as PM from January 1996- March 2004.

When Simitis was elected PM in 1996, his government without any delay identified EMU participation in the first wave of countries that would adopt the new currency, as the country's primary strategic goal. Until that point the Greek economy was seriously underperforming and lagging behind in relation to its Community partners. Although the preceding governments led by Mitsotakis and Papandreou had expressed their intention to cooperate with the Community, they ultimately did not deliver the expected results in terms of economic figures. Within the four years of Simitis' governments, Greece managed to refute all predictions stating that the country would not meet the Maastricht criteria on time. The role and determination of PM Simitis were crucial, as from the moment he took office he established EMU membership as the country's grand strategic goal and set out to achieve it by all means. Mitsos (2000:75) verified this by commenting that 'in the first fifteen years of Greek EU membership, no effort was made to harmonise economic policy with that of its partners. Only due to the necessity of meeting the criteria for Greek participation in EMU before its final phase in 2002, have there been efforts to adopt an economic policy that is compatible with that goal.'

The EU constraints hypothesis gains considerable grounds in the analysis as there is sufficient evidence to argue that the role of the EU recommendations was so influential that it accelerated the national privatization programme. The government's motivation to meet the EMU criteria was so significant that subsequently it realized that it had to put more emphasis on its privatization programme, if it wanted to fulfil the EMU criteria on time. Simitis was not only willing to adjust his government's economic policy according to the Commission's recommendations, thus avoiding indecision and time loss but was actually determined to accelerate the pace of the reforms. The association between the EU and the national privatization programme is confirmed by the Foreign Affairs Minister, Theodoros Pangalos, who argued (personal interview) that at that period 'the EU was putting pressure on the government to proceed with the denationalizations so as to modernize the public sector. However, concerning the entrance to EMU it was the government that was pressing the EU since the mainstream tendency among EU circles at the time was to consider Greece's EMU membership as unthinkable and unobtainable.'

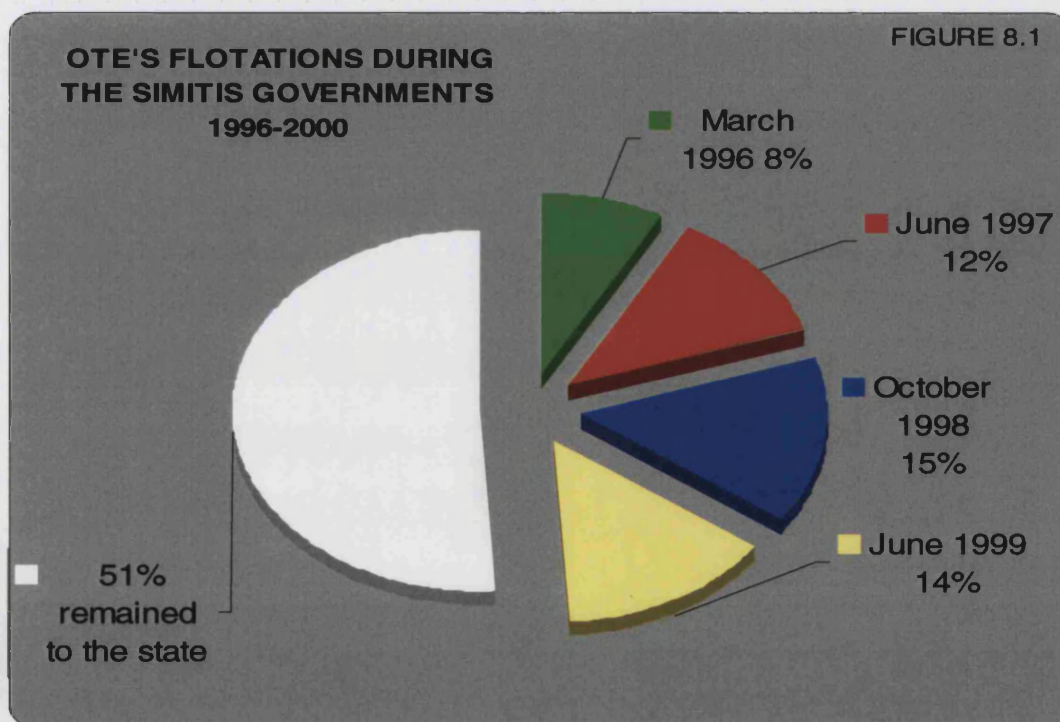
The prospective EMU participation was regularly cited in the communicative discourse as the main reason justifying the implementation of the SOEs restructuring and the acceleration of the privatization programme. In the communicative discourse, the prospect of not participating in EMU proved to be a very useful tool of pressure for the government and various national and international actors thus helping to accelerate the privatization programme. Simitis himself was very successful in delivering his message to the general public and in explaining that failure of EMU participation would be damaging to the well-being of the national economy. The PM was

very convincing in associating the restructuring of the public sector and the application of a broad privatization programme with EMU membership.

The implementation of a wide privatization programme served a twofold objective: it assisted the modernization process of the public sector and it increased significantly budget revenues. Justifying the application of privatization Papantoniou stated (personal interview) that 'we decided to enact a flotation-privatization policy mainly for strategic economic reasons so as to assist the competitiveness of the national economy and the viability of specific sectors that were under public control and underperforming.' Regarding the second objective privatization was the most appropriate method to increase budget revenues since increasing taxes was not an option. This is exemplified by the fact that most of the privatization revenues, including a large percentage of the OTE receipts, were used to eliminate budget deficits and reduce the public debt, both items being crucial EMU criteria. Papantoniou confirms the latter by stating (personal interview) that 'the turn towards flotations and privatizations was a necessary turn in order to give us the opportunity to meet the basic goals of our EU-oriented economic policy. We did not receive any direct pressure from anyone to make this decision. However, we made it because we firmly believed that it was the most appropriate means to reach our strategic economic objectives.'

The incorporation of a broad privatization programme was among the recommendations which in due course enabled Greece to fulfil the Maastricht criteria on time. In fact, the decisive role of the privatization programme was acknowledged by the government and other analysts. Papantoniou stressed (Kathimerini:04-11-99) that 'a big part of the revenues collected were used to decrease the public debt.' Similarly, the report prepared in 1999 by the Privatization International Yearbook is characteristic of the importance the government placed on its privatization programme. More specifically, Tom Attenborough (1999:105) noted that in '1999 alone privatization revenues will contribute 984 billion drachmas (US \$3.1 billion) to the Hellenic Republic's budget. 1999 final privatization proceeds will be significantly in excess of the 600 billion drachmas forecast at the start of the year... Inflation was down to below 2% in September, while the government budget deficit is forecast to end 1999 at between 1.5% and 1.6% of GDP, against initial forecasts of 1.5%. Privatization revenues have been a key contributor to this latter figure, providing 9.6 % of the Hellenic Republic's total budget revenues in 1999.' The significance of the government's privatization programme in meeting the EMU criteria was verified by the IMF Report on the Greek economy which included a special chapter on privatization. The IMF stated (Kathimerini:30-06-99) that 'despite the repeated difficulties, the government's privatization-flotation programme has been constantly progressing. Its application helped the reduction of the public debt...the benefits of the privatization spreading to additional sectors will help further decrease inflation.'

The government publicly supported EMU membership successfully in its communicative discourse and in turn performed pro-market reforms such as privatization. The key was the common understanding that both the general public and the government would benefit from the flotations. On the one hand, the former would invest in shares and gain financially, while on the other the latter needed to increase its revenues and draw the much needed additional resources from the flotations. Eventually, this concurrence broadened across society and the idea of popular capitalism was spread to the people, which made the application of the OTE flotations (figure 8.1) more acceptable. This is illustrated by the fact that the general demand during the pre-registration period in all four OTE flotations largely exceeded the number of shares issued. As a result, the Simitis government applied a series of flotations, which proved to be increasingly popular among Greek citizens, who endorsed the notion of popular capitalism.



However, this agreement was not converted into a political consensus as all of the opposition parties stood against the government in its privatization policy. Moreover, in its communicative discourse, the government deliberately stressed that all of the social actors involved would be held accountable by the public for their actions and disregarded the possible effects of its otherwise unilateral approach. The unions were not able to build a case against privatization since the policy was supported by the majority of the employees of the company and the general public, who favoured the ESOP and the flotation respectively, as in the case of OTE.

Hence, in relation to the OTE flotations performed by the Simitis governments, the hypothesis is confirmed to a great extent since all of the conditions required are fulfilled. More specifically, Greece was a simple polity, privatization was justified principally on an expressed strategic objective, EMU membership.

Chapter 9: Conclusions

9. Thesis purpose

This thesis examined the relationship between the type of discourse produced by national actors and the divergent institutional frameworks in which the national discussion takes place. The empirical findings led to the conclusion that the national institutional framework is decisive in shaping the type of discourse produced in the policy-making process. It confirmed to a large extent the hypothesis that in simple polities –like Greece- privatization was justified principally on a pro-market ideological basis or an expressed strategic objective. In compound polities –like Ireland- privatization represented a socially acceptable managerial adjustment to market needs with minimum references to ideology or strategic objectives. In addition, it attempted to contribute to the opening up of discourse analysis in the field of comparative politics. The examination of the domestic discourse exemplifies the various complex issues entailed within the political process of a polity when dealing with transformative changes, like privatization. Such an approach is valuable as it helps evaluate and assess the actual arguments presented by national actors during the policy-making process and does not focus only on their institutional hierarchy. It has important implications not only for the two countries under investigation or privatization politics but even for other societies facing large-scale transformative changes as it provides guidance on how the pathways for legitimizing such changes are likely to differ according to the different institutional contexts.

9.1 Testing discursive institutionalism

This thesis considers the theory of discursive institutionalism, as defined by Vivien Schmidt, in two countries across a specific time span. Doing so, it initially examines the features attributed to simple and compound polities and their application to the countries under investigation. In fact, the empirical examination confirms that during the period under examination the Republic of Ireland maintained the features attributed to a compound polity while Greece retained the characteristics of a simple polity.

Ireland was not a traditional compound polity, but was largely transformed into one after a series of noteworthy institutional changes that took place in the late 1980s. Until that time the country was dominated by a polarized political environment with majoritarian elements and it lacked a functional corporatist system. The magnitude of the changes was immediately noticeable as the institutional alterations facilitated the diffusion of power. This was accompanied by a well-functioning corporatist system that methodically allowed access to interest groups involved in the

policy-making process. In addition, the common need to overcome difficult political and economic deadlocks led to a vital level of cooperation and consensus among political parties, which in combination with the proportional electoral system established multi-party coalition governments in Irish politics after 1989.

By contrast, the situation remained largely unchanged in Greece with the traditional unitary institutional structure including a significant concentration of power and authority in the hands of the executive which allowed limited access to interest groups in the policy-making process. In addition, majoritarian politics with single-party governments were systematically practiced due to the disproportionate electoral systems which helped to preserve the polarized political environment.

Having established that Ireland and Greece respectively fall under the category of compound and simple polity, it is essential to consider the type of discourses produced in the two countries. Discursive institutionalism supports that simple polities are characterized by a weak coordinative and an extensive communicative discourse, whereas in compound polities the opposite is true.

The analysis of Ireland confirmed the presence of a broad coordinative discourse in all four governments under examination (Haughey 1989-1992, Reynolds 1992-1994, Bruton 1994-1997 and Ahern 1997-2000). The key shaping this type of discourse was the conclusion of the consecutive broad social agreements. These agreements organized the public discussion in Ireland under a formal institutional framework. They proved that social groups were actually invited to participate in the policy-making and more importantly they were called to express their views and ultimately co-decide upon policy choices. The achievement of these social agreements ensured the multilateral representation of interests in the policy-making process. Therefore, Irish political life was dominated by a wide-ranging coordinative discourse ever since the first social agreement of 1987. As a result, none of the above mentioned Irish governments was required to appeal to the general public, in the form of a far-reaching communicative discourse, for the legitimization of its privatization policy choices.

Having examined the discourse in three consecutive Greek governments (Mitsotakis 1990-1993, Papandreu 1993-1996 and Simitis 1996-2000), it is evident that all three were characterized by a deficient coordinative discourse. The public discussion in Greece was not placed under a structured institutional frame but was conducted mostly in an arbitrary and random fashion. It continuously revealed the confrontational style of the policy making process. Greek governments were not willing to make an effort to build an environment that would promote political and social consensus and apart from causing tensions within Parliament, they did not incorporate social

groups into the policy-making process. As a result the coordinative discourse produced in the Greek polity was indeed deficient. The latter is confirmed by the fact that successive governments announced a series of privatizations without commencing an institutionalized collective dialogue. In contrast, the communicative discourse in the country was on a regular basis extensive and intensive. All three governments and the PMs personally, appealed directly to the general public and not to the interest groups. To a great extent this was due to the lack of a well functioning institutionalized corporatist system and the adversarial style of Greek politics which did not encourage political and social consensus.

Discursive institutionalism states that the type of discourse in simple and compound polities differs significantly. It is clear thus that in terms of the discourse produced in the two case studies during the policy making process this assumption is confirmed. In short, simple polities are characterized by a strong communicative discourse whereas compound polities by a strong coordinative one.

9.2 Testing the hypothesis

The hypothesis argued that in simple polities (Greece) transformative policy changes, like privatization, are justified principally on an ideological claim or an expressed strategic reason. In compound polities (Ireland) such policy changes are presented as a socially acceptable managerial adjustment to market needs with minimum references to ideology or strategic objectives. The discourse in the two case studies largely confirms the above hypothesis. It verifies the assumption that during the policy-making process national actors that function in diverse institutional settings employ different approaches and arguments in their effort to legitimize privatization.

9.2.1 Simple polity (Greece): Gathering privatization momentum from Europe

The first government under examination is the ND government (1990-1993), led by PM Mitsotakis. In its public discourse the Mitsotakis government systematically linked its privatization programme with the accomplishment of its EU strategic goals, thus confirming the first part of the hypothesis. It stressed that privatization was a necessary consequence of the EU integration process and regularly associated it with the need to adjust to the single market and to participate in EMU.

The government used the EU based constraints, during the communicative discourse, as a tool to facilitate and accelerate its privatization programme. It firmly believed that by associating

privatization with the EU strategic goals it would earn social justification in the eyes of the electorate, enabling it to apply its policies, despite the disagreement of the opposition parties and the labour unions. Although there was a systematic effort to link the privatization programme with the realization of the strategic EU goals, it was ultimately not completed. The EU may have been used as an external stimulus to promote the measure in the national arena, but at the same time the OTE privatization plan put forth by the ND government did not allow room for political and social compromise. The domestic actors were neither consulted nor convinced about the necessity of the measure. They blocked it effectively and managed to divide the governing party and lead it to its political collapse. However, there is one important parameter which cannot be omitted, when examining that period. Although Greece had most of the simple polity features, due to the proportionate electoral system, the government had a parliamentary majority of only one MP. In fact, the OTE privatization failed to take place due to this fragile parliamentary majority. There are claims that under a majoritarian electoral system, which is typical in a simple polity, the government would have possessed a larger parliamentary majority and thus would have had increased chances of completing OTE's privatization.

The second period under investigation is that of the PASOK government led by Andreas Papandreou (1993-1996). The incorporation of privatization in the short-term government objectives was made only after the Commission had explicitly referred the need to include it in the government programme as a means of dealing with the excessive budget deficit of 1994. Although PASOK had not excluded privatization from its long-term agenda, it did not anticipate the obligation to proceed with these measures at once. Similarly to the Mitsotakis government, PASOK did not hesitate to justify in its communicative discourse its privatization programme in the name of European integration. This was done in a rather different manner than that of its predecessor. In this case it was the EU putting pressure on the Greek government to privatize, whereas in the Mitsotakis government there were no formal EU recommendations.

Once again and despite the fact that the government legitimated the privatization of OTE in its communicative discourse on a strategic national goal such as EMU membership, this was not accomplished. OTE's privatization was formally announced on several occasions but due to government mishandlings, it was not completed. The reasons for this failure as put forth by the government were the over-optimistic time-schedules, the inadequately prepared company, the unsatisfying condition of the financial markets and finally the PM being admitted to hospital. Therefore, the association of privatization with EU constraints was deliberately employed by the government in order to gather the sufficient legitimation to perform the policy, but for the reasons mentioned it was forced to back off from the privatization of OTE.

Finally, during the Simitis governments, the PM himself led the Europeanization campaign and did not stop repeating that the well-being of the national economy was dependent on EMU membership. From the beginning of his term Simitis campaigned in favour of privatization in a rigorous communicative discourse informing the public about possible consequences in case Greece did not fulfil the EMU criteria on time. The PM was able to explain to the general public the necessity to perform a broad scale privatization programme in order to achieve EMU participation. He tried to convince the electorate by providing financial motivations since the notion of popular capitalism was promoted through the IPOs.

In the case of OTE, although the labour unions were against the flotations, the company's employees and the general public warmly endorsed the government's initiative, putting aside most of the arguments of the unions. The majority of society had been convinced that the flotations of SOEs, such as OTE, would simultaneously help achieve EMU participation and lead to the foundation of a popular capitalistic model.

In short, during the 1990s Greece fulfilled the simple polity features. All Greek governments under investigation justified privatization, principally on an expressed strategic reason, thus confirming the first part of the hypothesis. Despite the ideological differences the three governments had and their different approach to privatization, their common point is the justification of privatization as a strategic reason related to the EU goals in their communicative discourse. Although privatization was not an EU policy, it was intentionally promoted by all three national governments as a necessary economic measure that would enable the country to realize the European objectives. In fact, this is verified not only by the domestic discourse analyzed, but also by their actions since all three governments estimated to use the privatization proceeds that would be generated for the purpose of closing budget deficits or decreasing the public debt, both items being core EMU participation criteria.

9.2.2 Compound polity (Ireland): Privatization as a managerial adjustment to market needs

The examination of the domestic discourse in Ireland begins with the re-election of FF and Charles Haughey in 1987. At that time Ireland was going through an institutional transition and by no means did it fulfil the compound polity criteria. In fact, in the run-up to the 1987 elections and until the late 1980s the national institutional framework resembled to a large extent the simple polity characteristics. Thus the compound polity hypothesis is rendered inapplicable.

The period that established Ireland as a compound polity begins after 1989 with the inauguration of the FF-PD coalition government led by Taoiseach Haughey. Although the PD openly

advocated the application of privatization on ideological grounds, the coalition government as a whole had not expressed its intention to privatize the national telecoms company. At that stage, the telecoms privatization discourse was dominated by the company's Chairman, Dr. Michael Smurfit, who initially recommended and eventually personally supported the immediate privatization of TE. Smurfit insisted that privatization was the most effective way of permitting TE to adjust to the increased competition that would result after the completion of the EU single market. However, the FF-PD government was not ready to consider privatization as an option and it was excluded from the agenda. Therefore, before 1992 only a limited one-sided privatization discourse was produced in relation to the telecoms sector, which eventually does not allow the complete examination of the hypothesis which is considered as not verified.

After the 1992 elections the FF-Labour government that resulted was surely not planning to apply a wide-scale privatization programme. It adopted a case by case approach to privatization and implemented the privatization of Irish Life and Irish Steel, only after consulting and agreeing with the social actors involved. The government did not proceed with any further privatizations but was focused only on the two companies that had been agreed upon. In the privatization of the telecoms the situation was rather different as it was not discussed within the coordinative institutional framework. There was no agreement among the social actors upon the telecoms privatization and as a result the communicative discourse was more intensive than in other cases. Nevertheless, even in the communicative discourse the arguments brought forth in favour of privatization were based on managerial grounds while references to ideology or strategic reasons were insignificant. As a result, the hypothesis is confirmed only to a certain extent as the primary legitimization was based on reasons of managerial adjustment but is not fully confirmed due to the absence of a social consensus.

The domestic discourse during the Rainbow Coalition, largely verifies the hypothesis that in compound polities privatization is presented as a socially acceptable managerial adjustment to market needs with minimum references to ideology or to strategic objectives. Although the Rainbow Coalition was comprised by three political parties, of which two had firmly opposed privatization in the past, it did not exclude privatization from its agenda as long as it benefited employment and growth. In fact, it actually completed the first major privatization in Irish politics with the disposal of 20% of TE to a strategic ally. The strategic alliance was the product of a broad agreement affirming that it was considered to be the most appropriate method of assisting the company to further its development and benefit consumers. Although references to the EU developments such as the liberalization of the telecoms market were not completely missing, they were by no means utilized in the public discourse as a legitimating tool for the policy. The central reason provided was that it would help the company increase its managerial effectiveness.

The FF-PD government led by Taoiseach Bertie Ahern performed the most notable privatization in Irish politics in 1999 when in a single transaction, it privatized 80% of the national telecoms. Such a privatization could be characterized as a very bold one, however the government had ensured, throughout the coordinative discourse, the support of all the interest groups involved including the strategic ally, the unions, the TE board, the opposition parties and the general public. Due to the political and social consensus achieved the government did not need to proceed to a communicative discourse justifying its choices. This meant that there was no attempt to relate the privatization to the realization of any national strategic goals or to an ideological claim apart from the company's need to modernize. The public discussion concerning privatization evolved solely around the needs each company under consideration was facing. The latter is confirmed in the case of the TE privatization. The reason repeatedly given by the government and the social actors that legitimated the privatization was the increased capability of the private sector to manage the company and upgrade the services offered to the consumers. As a result, the domestic privatization discourse at that period confirms the hypothesis that in compound polities the legitimation of privatization is performed for reasons of managerial adjustment to market needs and does not cause social disruption.

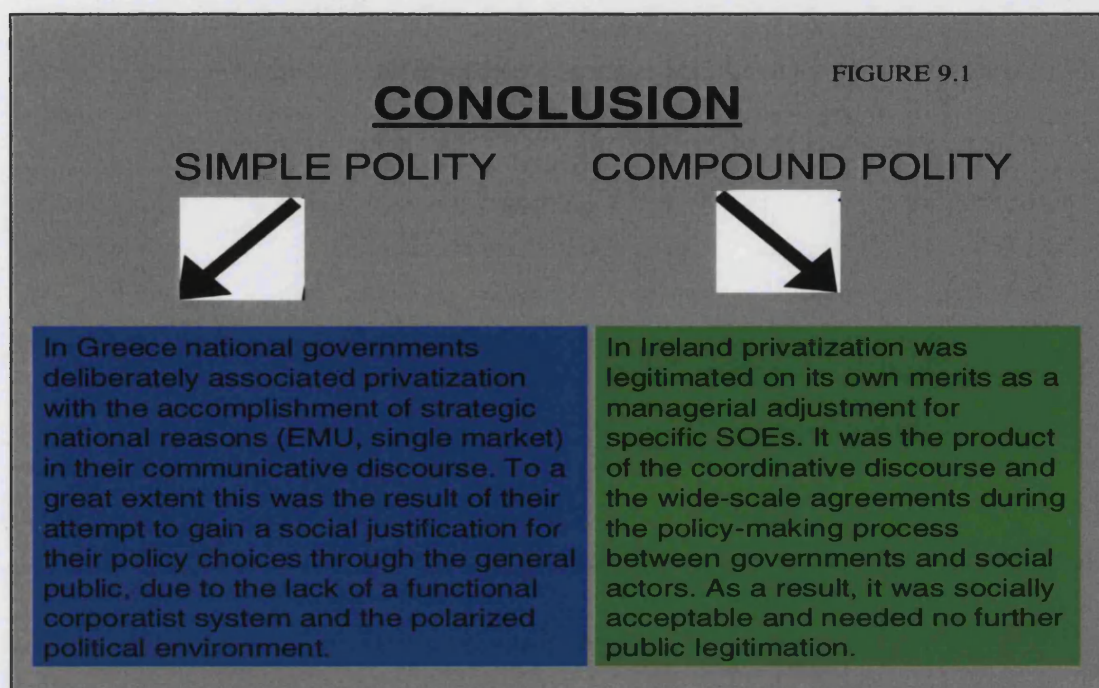
It is no coincidence that as time passed by and the compound nature of the Irish polity became more mature the hypothesis under examination strengthens. The common point of all Irish governments under examination lies in the fact that privatization was in most cases an issue, initially of social dialogue among national actors in the policy-making process and eventually of a compromise-agreement. Such a political system requires the existence of a functional corporatist system which coordinates the domestic discourse within an institutional format. In Ireland successive governments incorporated societal groups in the policy-making process and did not attempt to impose their privatization plans without consulting them. Governments in such cases are not required to appeal directly to the public in order to gain approval and consequently the need to link their structural measures with strategic goals or ideological claims is non-existent. The structural reforms are justified directly in the policy formulation process among the involved national actors.

The compound nature of the Irish polity eliminated the governments' need to make systematic references to ideology or to strategic reasons in order to justify their policy choices to the general public. It is necessary to note that despite the fact that the Ahern government included the PD, which had a strong ideological position in favour of privatization, there were no ideological references in the government's programme of governance. Similarly the Rainbow Coalition which included two political parties that had fervently opposed privatization, did not exclude from the

programme of governance, under certain qualifications, the prospect of privatizing SOEs. Therefore ideological positions were not absent from Irish politics, nor were strategic national goals but the compromising policy-making process enabled political parties and social actors to constantly seek and ultimately agree on a middle way.

9.2.3 Conclusion of the empirical findings

The conclusion of the empirical findings sums up to the observation that the national institutional framework is decisive and shapes the type of discourse produced in the policy-making process. More specifically, the first part of the hypothesis is verified as Greece exhibited most of the simple polity characteristics and its national governments deliberately associated privatization with the accomplishment of strategic national reasons (EMU, single market) in their communicative discourse. To a great extent this was the result of their attempt to gain social justification for their policy choices, because the country lacked a functional corporatist system and it was characterized by a polarized political environment. Similarly, the second part of the hypothesis is largely confirmed, as Ireland established the compound polity features over the years and privatization was legitimated on its own merits as a managerial adjustment for specific SOEs. It was the product of the coordinative discourse and the wide-scale agreements during the policy-making process between governments and social actors. As a result, it was socially acceptable and needed no further public legitimation (figure 9.1).



9.3 Recent developments in Greece and Ireland

Although it is not possible to test the hypothesis for later periods without thoroughly examining the domestic discourse, it must be noted that there were interesting developments in both countries after they joined the eurozone, regarding both the institutional structure and the progress in the telecoms sector.

In Greece, the simple polity characteristics were strengthened during the last decade. First of all, PASOK and ND, which governed the country during the decade 2000-2010, did not seek government partners as the electoral systems used in the four general elections during the period provided them with parliamentary majorities.⁴⁹ Secondly, the polarization of the political scene and the absence of an organized social dialogue which would attempt to integrate social actors in the policy process remained the key element of the Greek polity. As a result, the key elements that characterize a simple polity dominated the Greek polity even after the millennium and continue to do so at present.

In Ireland, despite the recent developments that may question the compound nature of the polity, arguably the latter did not recede during the first decade of the millennium. First of all, coalition

⁴⁹ Pasok led by PM Simitis was re-elected to power in the 2000 elections, Kostas Karamanlis' ND won the 2004 and 2007 general elections and in 2009 George Papandreou led Pasok back to power.

governments remained in power as the FF-PD government led by Bertie Ahern was re-elected in May 2002. The same coalition government was again re-elected in the May 2007 elections, but during its tenure there were crucial differentiations in relation to the previous governments. These included the addition of the Green Party to the coalition after the 2007 general elections, the replacement of Bertie Ahern by Brian Cowen as Taoiseach on the 7th of May 2008 and finally the disintegration of the PD on the 20th of November 2009.⁵⁰ Secondly, up until 2009, the social partnerships were largely maintained, thus confirming the presence of a functioning corporatist system. The Programme for Prosperity and Fairness (PPF) was signed in 2000 and it was followed by the Sustaining Progress (SP) in 2003-2005. The seventh social partnership agreement, titled 'Towards 2016' was concluded in June 2006 dealing among other issues with pay terms. However, the second stage of 'Towards 2016' which had been agreed upon by social partners in September 2008, eventually collapsed at the end of 2009, as the government imposed significant income cuts in the civil service in its attempt to reduce the budget deficits which had largely grown after 2008. Although the social partners were in a constant social dialogue to resolve the problem by amending the previous agreement and revising the transition pay terms in order to deal with the effects of the economic crisis, this was not achieved. In fact, after December 2009 and as ICTU and IBEC were not able to strike a deal the latter pulled out from the negotiations, therefore putting under threat the corporatist tradition of 23 years in Ireland.

The OTE privatization process continued in Greece, with less controversy –in relation to the 1990s- but still within a polarized political environment. This cultivated confrontational methods between political, social and economic actors rather than cooperation. Currently, Deutsche Telekom (DT) is the strategic ally and owns 30% of OTE including the company's management. In 2008, DT bought 20% of OTE from Marfin Investment Groups, 3% from the Greek State and 2% from the market. Furthermore, one year later, in July 2009 it took advantage of a term that had been signed when it acquired 25% of the company and purchased an additional 5% from the State. The fact that a foreign company was formally invited to manage and own the former national telecoms company generated heated discussions in Parliament as most of the opposition parties (PASOK, KKE and SYRIZA) accused the government by using very harsh language. In a very similar fashion to what his father Andreas Papandreou had promised in 1993 when PASOK disagreed with ND's privatization of OTE, George Papandreou, current leader of PASOK argued that his party would do anything legally and politically possible in order to amend the deal when PASOK returned to power. Prior to the agreement with DT the Greek governments had furthered the privatization programme and only between 1996 and 2004, the Simitis governments had sold 66% of OTE by floating shares to the Greek and international markets. In 2001 the state's share

⁵⁰ The two former PD TDs, Mary Harney and Noel Grealish remained in government as independent members.

was reduced to 42% as the government issued a four-year convertible bond of OTE due to pressing budget needs. One year later the government sold a further 8% through the Stock Exchange therefore bringing the state's share to 34%. For the time being, the state is the second largest owner of OTE as it maintains a 20% stake of the company.

In Ireland, although the Eircom privatization had been completed during the 1990s, there were various transactions which affected the company's ownership status. Currently, Singapore Technology Telemedia (STT) is the majority stake holder as it holds 57,1% of the company's shares since January 2010. STT acquired the shares from Babcock and Brown Capital (BCM), a subsidiary company of Babcock and Brown (BNB), which was a global investment and advisory firm based in Australia but has been placed into liquidation. BNB had bought 65% of Eircom in 2006 from Valentia Consortium which in turn had purchased the shares from KPN-Telia in 2001. The only stable owner in Eircom is the ESOT which has remarkably increased its share over the years and today holds 35% of the shares.

Taking into account the recent developments in the two countries, both in the institutional structure and the telecoms sector there are important indications to argue that the hypothesis remains largely relevant up to the present day, although it does require further empirical evidence in order to be properly tested.

9.4 Discourse analysis and comparative politics

Discourse analysis has not been employed extensively as a theoretical tool by political scientists. This study uses the discourse analysis framework and considers it to be important for political science since it is capable of becoming a valuable explanatory factor in examining the policy-making process. By merging discourse with new institutionalism a different perspective is opened up in the field of comparative politics, one that provides an empirical insight in the actual policy-making process and its effects and enables the researcher to focus on the relationship between ideas and institutions.

Discourse analysis matters because it is not only restricted to what is actually said in the national discussion but illustrates under what circumstances and in which way national actors appeal to each other. This is significant because it permits researchers to assess the public discussion of key social actors, track and evaluate its effects during the course of political and social phenomena and demonstrate its influence or lack of it, in the design and carrying out of policy-making. It reveals the rationale that facilitated or hindered the accomplishment of their goals and it helps draw conclusions for the deviation in their performance. Thus, the in-depth analysis of the

discursive processes may lead researchers to important findings explaining the reasons the same ideas are more applicable in specific institutional contexts than in others, because of the way national actors actually project them.

However, one of the most significant constraints of discourse as a method of analysis is that it remains rather vague in the way it should be performed as there is no single universal approach. It covers an extensive field, may be carried out in several different ways and the assessment of qualitative empirical findings has not yet been fully clarified. Often it is not possible to include all influencing facts in an empirical analysis. It is also possible that some of them might not be evaluated according to their appropriate weight. Finally, the wide-ranging and systematic empirical analysis might require time-consuming methods, a fact that could act as a disincentive in an analysis.

The findings of this study are not limited to the specific empirical conclusions regarding the telecoms privatization discourse in Greece and the Republic of Ireland. In fact, by using a similar format and methodology, it is possible to unravel the national discussion in issues of the policy-making process and help explain complex political phenomena by using a discursive institutionalism perspective. In this case, it would be possible to broaden the scope of the empirical and conceptual perspective of the study in several ways. This could be achieved by a) including in the analysis a different pair or even a larger number of countries; b) putting under examination the discourse produced in relation to a different sector of the economy; c) changing the research topic under investigation and looking into other transformative policy changes; d) discourse analysis may be linked with other established theoretical frameworks in political science apart from new institutionalism; e) it would be very challenging to attempt to link discursive institutionalism with policy outcomes. More specifically, it might be interesting to look for a pattern of events between the institutional structure of a polity, the type of discourse it traditionally produces and the actual policy outcome. In sum, one of the important objectives of this study is to amalgamate comparative politics and discourse analysis.

9.5 Conclusion

In conclusion this study confirms three central observations. Firstly, it tested the validity of the theory of discursive institutionalism and concentrated on the relation of two key variables: the institutional context in which politics take place and the type of discourse it produces. It verified the assumption that the type of discourse in simple and compound polities differs significantly as the former is characterized by a strong communicative discourse and the latter by a systematic coordinative discourse. Secondly, by analyzing the telecoms' privatization discourse in Greece

and the Republic of Ireland it arrived at specific case-study findings. It largely confirmed the hypothesis arguing that in simple polities, transformative policy changes, like privatization are justified principally on a pro-market ideological basis or an expressed strategic objective, whereas in compound polities they are presented as a socially acceptable managerial adjustment to market needs with minimum references to ideology or strategic objectives. Thirdly, it attempted to illustrate that discourse analysis is a helpful tool in comparative politics studies as it helps in the explanation of political phenomena but must be combined with established political science theories in order to produce useful scientific findings.

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Appendix 1 Personal Interviews

1. **Anagnostopoulos Theodoros** (Minister of Transports and Communications during the Mitsotakis government)
2. **Kouremenos Dimitris** (General Manager of OTE during the Mitsotakis government)
3. **Manos Stefanos** (Minister of the National Economy during the Mitsotakis government)
4. **McCreevy Charlie** (Finance Minister during the Ahern government)
5. **Mitchell Gay** (Minister for European Affairs at the Department of the Taoiseach during the Rainbow Coalition)
6. **Pangalos Theodoros** (Minister of Transports and Communications during the Papandreou government and Foreign Affairs Minister during the Simitis government)
7. **Papadopoulos Alekos** (Minister of Economics during the Papandreou governments)
8. **Papantoniou Giannos** (Minister of the National Economy during the Simitis government)