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## **How Party Linkages Shape Austerity Politics: Clientelism and Fiscal Adjustment in Greece and Portugal during the Eurozone Crisis**

*Alexandre Afonso, Sotirios Zartaloudis and Yannis Papadopoulos*

**Abstract** Drawing on an analysis of austerity reforms in Greece and Portugal during the sovereign debt crisis from 2009 onwards, we show how the nature of the linkages between parties and citizens shapes party strategies of fiscal retrenchment. We argue that parties which rely to a greater extent on the selective distribution of state resources to mobilise electoral support (*clientelistic linkages*) are more reluctant to agree to fiscal retrenchment because their own electoral survival depends on their ability to control state budgets to reward clients. In Greece, where parties relied extensively on these clientelistic linkages, austerity reforms have been characterised by recurring conflicts and disagreements between the main parties, as well as a fundamental transformation of the party system. By contrast, in Portugal, where parties relied less on clientelistic strategies, austerity reforms have been more consensual because fiscal retrenchment challenged to a lesser extent the electoral base of the mainstream parties.

**KEYWORDS** austerity, clientelism, Eurozone crisis, Greece, political parties, Portugal.

## INTRODUCTION

Which factors shape the willingness of political parties to pursue or agree to fiscal and welfare retrenchment? Earlier literature emphasised that the default strategy of political parties, independently of their ideological orientation, was to steer away from unpopular measures of retrenchment to avoid electoral blame (Pierson 1996; Weaver 1986). More recently, however, research has shown that parties display different stances towards retrenching the welfare state (Allan and Scruggs 2004), and that some parties can even be rewarded electorally for retrenching social programs (Giger and Nelson, 2011; Schumacher et al. 2013). In general, this literature assumes that *ideology* is the main factor that shapes party policies and their electoral consequences: linkages between voters and citizens are assumed to be primarily *programmatic* (Häusermann et al. 2013: 232). However, ideology is only one mechanism of linkage between parties and citizens: many parties around the world do not win elections only because of their *ideological* programs, but also thanks to the selective *material* resources (cash transfers, jobs, services, rents, investments or privileges) that they are able to deliver to targeted groups in exchange of votes (Kitschelt and Wilkinson 2007: 2). In spite of its prevalence, this type of *clientelistic* linkages has generally been overlooked in analyses of fiscal and welfare retrenchment (Häusermann et al. 2013: 232)

In this article, we argue that the extent of these clientelistic linkages can shape party strategies towards austerity reforms. We show that parties that draw extensively on clientelistic linkages seek to avoid or delay agreements on fiscal retrenchment because their own electoral survival depends on the control of a sizeable public sector, regulatory powers and budgets as levers to mobilise electoral support. By contrast, parties that rely to a lesser extent on clientelistic linkages have a larger margin of

manoeuvre vis-à-vis fiscal retrenchment because their electoral fortune is less tied to public spending as an electoral resource.

To support our argument, we draw on a comparative analysis of austerity reforms in Greece and Portugal during the sovereign debt crisis between 2009 and 2012. Greece and Portugal are two countries – together with Ireland, Cyprus and Spain<sup>1</sup> – that were granted bail-out packages by a so-called “Troika” of international financial institutions (European Central Bank, European Commission and International Monetary Fund), in exchange of which they committed to implement drastic “adjustment programmes” which involved cuts in wages and dismissals in the public sector, cuts in welfare expenditures, as well as tax increases (Armingeon and Baccaro 2012; Zartaloudis 2014).

Despite many similarities in their political, economic and cultural settings, the political process underpinning these adjustments has differed sharply (New York Times 2012; Financial Times 2011b). While cross-party cooperation has been an important feature of the reform process in Portugal, Greek mainstream parties have used extensive blame-shifting strategies against each other, and cross-party cooperation only emerged very late (Vasilopoulou et al. 2013). This difference in the political process is important because, in a context of latent political instability, domestic consensus has been repeatedly mentioned by lenders as a precondition for the long-term viability of fiscal adjustment and the possibility for future bailout packages across electoral cycles (Financial Times 2011b).

In this article, we investigate the factors that prevented such compromises from coming about. We explain differences in the politics of reform by a greater prevalence of clientelistic linkages in Greece than in Portugal as measured by a number of

indicators: the extent of party patronage, the use of clientelistic appeals as a way to mobilise electoral support, the organisational form of parties and their relationships with influential organised interests, notably the trade unions. In Greece, the need to satisfy tightly connected clienteles exchanging their electoral support for public spending has ruled out open support for austerity from the main parties in the period under consideration, and delayed cross-party agreements. In Portugal, looser connections with unions, a smaller reliance on clientelistic linkages and the smaller membership of parties has constituted a smaller constraint to implement austerity reforms, allowing for extensive pro-retrenchment compromises.

Our contribution is both empirical and theoretical. Empirically, we provide a comparative analysis of the politics of austerity reforms in Greece and Portugal during the Eurozone crisis drawing on original material. This subject has attracted a fair amount of attention, however with little comparative analysis (see, however, Maatsch 2014; Armingeon and Baccaro 2012). Theoretically, we connect party linkages with fiscal retrenchment in a novel way, building on recent literature on party politics and welfare retrenchment. The paper is structured as follows. First, we outline how party linkages influence fiscal retrenchment. Second, we outline variation in party conflict and compromise in our two countries. The conclusion synthesises our interpretation of the findings, assesses alternative explanations and briefly discusses issues of external validity.

## **CLIENTELISTIC LINKAGES AND FISCAL AUSTERITY**

Most analyses of party competition in European democracies rely on a model of “responsible party government” based on the idea that electoral linkages are essentially

*programmatic* (Kitschelt and Wilkinson 2007: 7). The congruence of voter preferences and parties' ideological programs is understood as the main mechanism that drives policies and determines electoral fortunes (Häusermann et al., 2013: 232-233). In this perspective, the ideological positioning of parties is thus the relevant variable to explain the willingness to retrench the welfare state or roll back public spending (Allan and Scruggs 2004).

However, this idea of *programmatic linkages* based exclusively on ideology fails to account for a large part of the interactions between voters and parties in many places around the world (Kitschelt and Wilkinson 2007: 7). In many instances, the ideological platform of parties is often ill-defined, erratic, and weakly differentiated. In these cases, *material resources* (public sector jobs, social benefits, tax cuts, market monopolies or public investment) are often more important than ideological platforms as a mechanism to build voter support. Following Kitschelt and Wilkinson (2007), we call these *clientelistic linkages*, defined as mechanisms of exchange in which selective goods are traded by parties in exchange of votes. Party patronage, or the “power of parties to appoint people to positions in public and semi-public life” (Kopecký and Mair 2012b: 3) has been a particularly widespread form of clientelistic exchange, for instance in the political machines of US cities in the 19th and 20th century (Shefter 1994), Southern Europe (Hopkin 2001), or Eastern Europe (Kopecký and Spirova 2011; for an overview, see Kitschelt and Wilkinson 2007; Piattoni 2001).

While programmatic linkages are *universalistic* – they entail the distribution of public goods that theoretically benefit everyone (public safety, economic growth, clean air) –, clientelistic linkages tend to be *particularistic*. They rely on the distribution of

*private* or *club goods* from which non-supporters can be excluded. Kitschelt (2007) identifies a number of these goods and the channels whereby they are distributed: social policy benefits targeted at particular groups based on party or union affiliation (Ferrera, 1996); or public sector patronage whereby votes are rewarded with public sector jobs for loyal supporters (Kopecký and Mair 2012b).

By contrast to programmatic linkages, which take place within “impersonal” electoral markets, clientelistic linkages need “thicker” social networks to operate. Clientelistic exchange implies arms-length mechanisms of monitoring ensuring that both patrons (parties) and clients (voters) deliver on their promises. For instance, mass party organisations can facilitate clientelistic exchange because they provide the social networks through which the exchange can take place, and where supporters can be mobilised and rewarded (Belloni et al. 1979: 255). Networks of clientelistic exchange can also entail tight organisational connections between parties and mass-based organised interests, such as trade unions, where the electoral support of trade union members is exchanged for future jobs, pay increases, or benefits targeted at specific occupations (Trantidis 2014). We do not argue that large party memberships or organic connections between parties and unions necessarily lead to the development of clientelistic linkages, but that clientelistic strategies need these structures to develop into “mass clientelism” as a system to distribute state resources. As shown by older work on the Christian-democratic party in Southern Italy, “mass clientelism” – as we document for Greece – is particularly likely to emerge within parties that combine the “thick” networks of mass parties with the logic of selective exchange of machine parties (Belloni et al. 1979: 255).

Our argument is that the strength of these clientelistic linkages between parties and voters lowers incentives for agreeing to fiscal retrenchment. We define fiscal retrenchment as policy measures to reduce the level of public borrowing and debt through spending cuts or tax increases. The main reason behind this is that parties relying on clientelistic linkages are more closely tied to the state as a resource, along the lines outlined by Katz and Mair (1995) in their “cartel party” model. The distribution of political rents requires access to public office, so that a history - or the prospect - of incumbency is a requirement for the development of clientelistic linkages. In our analysis, the viability of clientelistic linkages is facilitated by a large public sector and/or an extensive leeway in spending power, which allows political patrons to reward clients via spending and favourable regulation (Kitschelt and Wilkinson 2007: 36ff.; Müller 2006: 190). Another way to maintain clientelistic networks can be the ability to allow certain groups to free-ride, namely to enjoy public services without paying for them, for instance via tax exemptions or inadequate tax collection.

Insofar as fiscal retrenchment precisely rules out these strategies, we can assume that it entails more important electoral consequences for parties which rely on extensive clientelistic linkages. The capacity to distribute political rents via spending or tax exemptions is the main resource that these parties have. Hence, such parties will be more reluctant towards fiscal austerity because its likely electoral consequences will be larger. By cutting spending or increasing taxes, budget austerity basically undermines their own electoral strategies, because they curtail the capacity of patrons to reward clients via public spending or tax exemptions. If the ability to reward clients disappears, there is little left that connects voters and parties, and electoral sanctions are likely to be very severe as voters will start looking for alternative patrons. Programmatic parties



may be more resilient in these contexts: “true believers” may continue to trust their party even if it has to take hard decisions (Green-Pedersen 2002: 36), while “client voters” may more easily defect.

## **CASES AND INDICATORS**

In this article, we use a comparative case study to explain the diverging capacity of Greek and Portuguese political parties to agree on fiscal adjustment reforms during the two years that followed the outbreak of the sovereign debt crisis from late 2009 onwards. Our dependent variable is the *politics* dimension – namely different degrees of capacity and willingness to strike compromises about fiscal retrenchment - rather than the *policy* dimension, such as the extent of austerity measures, or actual reductions in public debt.

Our independent variable is the extent of clientelistic linkages, which tend to be difficult to measure because of their fluid nature. However, it is possible to draw on a number of indicators to operationalise them as an independent variable. First, the *size of party organisations* in relation to the electorate can be understood as a facilitator of clientelistic exchanges: large party memberships provide an identifiable pool of voters to be mobilised, monitored and rewarded which also extends within the broader electorate through social networks. The second indicator is the nature of *party-union* ties. Modern clientelism rarely relies on individual relationships between politicians and voters, but rather on relationships between patron (parties) and client organisations, such as trade unions delivering votes from their members. Formal or informal connections between unions and parties therefore facilitate clientelistic exchange, especially with high levels of unionization within the public sector, where parties can

control appointments. A third indicator is the *extent of party patronage* as measured by Kopecký and Mair (2012b), who differentiate between patronage as an *organisational* resource - the appointment of partisan supporters at higher echelons of the administration as a way to exert control over bureaucrats - and patronage as an *electoral* resource - the action of rewarding supporters with public sector jobs, mostly at lower levels (Kopecký and Mair 2012b). This latter aspect is the relevant one for our analysis, with more obvious implications for public spending. Fourth, we use the extent to which parties rely on *particularistic appeals* to gain votes as measured by a survey conducted by Kitschelt (2013), in which experts were asked the extent to which different parties relied on particularistic instruments (social benefits, public sector jobs, government contracts, regulation) as a mode of electoral mobilisation. As we show below, Greece and Portugal display consistent variation as to these four types of indicators.

Greece and Portugal are cases in point to assess our theoretical propositions because of the similarities in their economic, cultural and political conditions (Zartaloudis 2013b: 1179), allowing for a most-similar systems design (Bosco and Verney 2012; di Mascio et al. 2010). Besides being the countries that have been most severely hit by the sovereign debt crisis, Greece and Portugal also displayed a number of similarities at its beginning: similar levels of socio-economic development, similar features in their welfare state (Ferrera 1996), similar sizes, they became democracies during the “third wave” of democratisation in the mid-1970s, and both joined the EU (European Union) in the 1980s. At the outbreak of the crisis, both were governed by centre-left governments, respectively PASOK in Greece and the Socialist Party in Portugal. Accordingly, our focus is the period in office of the Papandreou (2009-2011)

and Socrates (2009-2011) centre-left governments, which allows for the partisan composition of government to be kept constant.<sup>2</sup>

Besides these similarities, Greece and Portugal display a substantial degree of variation in the extent of clientelistic linkages (our independent variable) as measured by the indicators mentioned above. Party patronage and clientelism have been a prominent feature of party systems in Southern Europe as a whole (di Mascio et al. 2010; Hopkin 2001). However, Kopecký and Mair (2012a: 367) show that there is significant variation across European countries. Greece ranked first in Europe in terms of the pervasiveness of party patronage, while Portugal ranked 10<sup>th</sup> and below the European average. Patronage in Portugal takes place at the higher echelons of the bureaucracy, and is used by parties as a means of *control* over it (Jalali et al. 2012). By contrast, it reaches all the way down to the lower levels in Greece, and is used both as a tool of (policy) *control* (at the top) and of (electoral) *reward* (at the bottom) (Pappas 2013). As we have argued that mass parties can provide a particularly favourable receptacle for clientelistic linkages, we also find substantial differences between Greece and Portugal in the size of party organisations. The ratio of members of the two main parties to the electorate in Portugal in 2005 was 2.2%, as compared to 6.1% in Greece, the highest in Southern Europe apart from Cyprus. The ratio of party members amongst voters was 9.4% in Greece, and 4.5% in Portugal (Bosco and Morlino, 2006: 4). Besides, the two main Greek parties relied to a much greater extent on clientelistic appeals to win votes, particularly with respect to the use of public sector employment, government contracts and regulation, indicating a greater importance of clientelistic linkages as measured by Kitschelt (2013).

Interestingly, this difference in clientelistic appeals is not reflected in the ideological positioning of the parties as measured in the same expert survey: Portuguese parties were even slightly more interventionist than Greek parties as measured by their left-right position, however not in all aspects. Finally, as we show below, relationships between parties and trade unions also differed substantially, with both Greek parties maintaining connections to the biggest trade union through party factions, whereas the biggest Portuguese trade union CGTP has kept distant relations to the main parties because of its organic relationship to the Communists. Unions are also much better implanted in the public sector in Greece. As a whole, we find a clear variation between our two cases as to indicators of clientelistic linkages.

**Table 1: Indicators of Clientelistic Linkages and Ideological Positioning**

	Greece		Portugal	
	PASOK	ND	PS	PSD
<b>1.a Party members as share of voters (2005)</b> (Bosco and Morlino, 2006: 4, 7)	8.30%	10.40%	2.90%	7.10%
<b>1.b Party members as share of electorate (2005)</b>	6.10%		2.20%	
<b>2.a Connections of parties to trade unions</b>	Strong	Strong	Moderate (UGT)	Weak (UGT)
<b>2.b Union density in the public sector</b> (EIRO 2011a, b)	78.2%		15%	
<b>3. Index of party patronage (European mean 0.34)</b> (Kopecký and Mair 2012a: 367)	0.62		0.29	
<b>4. Extent to which party uses public sector jobs as electoral strategy</b> (Kitschelt 2013) <sup>3</sup>	3.6 (moderate to major effort)	3.6 (moderate to major effort)	2.56 (minor to moderate effort)	2.56 (minor to moderate effort)

<b>Ideology 1: Preference for state role in governing economy (1: weak-10: strong) (Kitschelt 2013)</b>	5.14	3	5.89	3.42
<b>Ideology 2: Preference for public spending (1: low-10: high) (Kitschelt 2013)</b>	6.27	4.0	5.95	3.42

## **CROSS-PARTY AGREEMENTS AND CONFLICTS DURING THE SOVEREIGN DEBT CRISIS**

In this section, we rely on an analysis of government reports, official documents and articles in the national and international press to reconstruct the political processes in the two countries.

### **Parties and Austerity Agreements in Portugal**

In Portugal, clientelistic linkages have been limited by a number of institutional and historical factors. First, Portuguese mainstream parties haven't built mass organisations which could function as political machines for the distribution of spoils to supporters because of the nature and pace of the democratisation process: mainstream parties were "parachuted" from above after the end of the authoritarian regime of the *Estado Novo* (1933-1974). They did not emerge from below out of distinct class or religious cleavages, and their resources were devoted primarily to the organisation of the new democratic system rather than to building a mass partisan base (Jalali 2007: 86-87; Van Biezen 1998: 38-44). As the old regime showed little interest in mass mobilisation, new parties could not rely on pre-existing intermediary networks linking state and citizens (Van Biezen 1998: 38). With the exception of the Communist party, the only one with a real (but clandestine) presence during the dictatorship, the PS (centre-left) and PSD

(centre-right) have displayed a small membership, a weakly defined class basis, and loose connections to voters (Jalali 2007: 87). Rather than building a strong grip within society with extensive organisations, parties have opted for a shallow but broad catch-all appeal instead. Hence, the kind of arms-length relationships between parties and voters that clientelistic linkages entail were difficult to build in Portugal.

Second, the democratisation process also conditioned the relationships between political parties and trade unions as potential clients. The largest union confederation CGTP, implanted among industrial workers and the public sector, has maintained an organic link with the Communist Party because of its strong influence within the labour movement prior to the revolution (Jalali 2007: 90; Van Biezen 1998: 52-53). However, the Communist party has been systematically excluded from government due its distance from the PS, so that any left coalition has proved unviable (Magalhães 2012: 311). The UGT, created by the PS and PSD to challenge the CGTP, managed to gain a foothold among white-collar and service workers in the private sector, but never challenged the CGTP as the largest labour union. Hence, the largest public sector union has been connected to a party lacking access to incumbency at the national level, thereby undermining organic channels for clientelistic exchange. Moreover, union density in the public sector has been low, at about 15% in 2011 (EIRO 2011b).

Finally, even if party patronage may have been an electoral resource in the past, for instance during the period of economic growth of the 1990s, the period between 1999 and 2008 was one of long stagnation for Portugal by contrast to other Southern European countries (Amaral 2010: 43-44) (see online appendix<sup>4</sup>). This made public sector expansion as an electoral strategy more problematic and its costs more visible. The 2000s were marked by anaemic growth and relative decline with respect to the EU

average. In this context, the centre-left Socialist government of José Socrates elected in 2005 carried out a number of reforms already geared to fiscal consolidation, including an encompassing pension reform and a series of privatisations, and it stopped the expansion of public sector employment (Royo 2012: 193-194). On the right, the PSD had been excluded from power for extended periods which effectively undercut its ability to rely on clientelistic linkages to reward supporters. After 1995, it has only been in power for a brief period (2002-2005) as part of a coalition with the CDS-PP, while the PS ruled between 1995-2002 and 2005-2011.

After the elections of 2009, the Socialists lost their absolute majority and formed a minority government. In the direct aftermath of the financial crisis, the government first adopted a number of expansionary social policy measures to cope with rising unemployment (Zartaloudis 2014). As of early 2010, however, as the deficit, public debt and yields on government bonds increased, a much clearer austerity turn was taken. Many “anti-crisis” measures were withdrawn, and the government engaged in a series of austerity packages geared to reassure financial markets. Given the staunch opposition of parties on the left (Left bloc and Communists), majorities could only be built with centre-right parties (PSD and CDS-PP).

The PSD chose to cooperate with the Socialist minority government in order to enable measures of fiscal consolidation. The 2010 budget, for instance, was passed with the passive support of the PSD and the CDS-PP, with whom an agreement could be found after a number of concessions were made in the timing of fiscal consolidation (Expresso 2010). Along similar lines, the minority government managed to pass three austerity packages with the informal support of the PSD over a period of 18 months. The first austerity package (*Programa de Estabilidade e Crescimento*) of March 2010

sought to bring down the deficit to 2,8% of GDP over a period of 3 years, with spending cuts of about 2,73% of GDP after 3 years, and 0,84% in tax increases (Ministerio das Finanças 2010: 4). This package, again, was negotiated and agreed with the PSD, who again enabled its adoption by abstaining (Jornal I 2010). The second austerity package (*Pacto de Estabilidade et Crescimento II*), adopted in April 2010, was again jointly agreed between the Socialist prime minister José Socrates and the new leader of the opposition elected in March of that year, Pedro Passos Coelho. The package provided for a 1.5% increase in income tax and a 1% increase in VAT. The total extent of spending cuts was about 7.8 billion euros (Diário de Notícias 2010; Diário Económico 2010). The third austerity plan PEC 3, tied to the 2011 budget, was presented shortly afterwards. It included a five per cent cut in the public sector wage bill, and another two per cent increase in value-added tax. In this second package however, the cross-party alliance linking the PS and the PSD began to weaken, as the latter contested the extent of tax increases to balance the budget (Financial Times 2011c). In the end, the PSD still reluctantly supported it, while all other parties voted against it (Público 2010a).

Eventually, the fourth austerity package PEC 4 presented by Socrates failed to pass in parliament on March 23, 2011. This fourth austerity plan provided for spending cuts equivalent to 2.4% of GDP and an increase in revenue equivalent to 1.3%, including a freeze in pensions and other social benefits (Diário Económico 2011a). Arguing that this fourth package had not been negotiated with the opposition - and taking advantage of favourable opinion polls - the PSD withdrew its support altogether, and the plan failed to gain a majority (Correio da Manhã 2012). As a result, Socrates resigned from his position as prime minister, and new elections were called for early June 2011. In the meantime, as yields on Portuguese government bonds increased to



unmanageable levels, the caretaker PS government asked for financial assistance from international financial institutions. The economic adjustment programme subsequently agreed between the Troika, the government and the other major parties likely to form a government, the PSD and CDS-PP, provided for many of the measures that had been voted down in the Socialist government's fourth austerity package (European Commission 2011).

The elections held on June 5th 2011 marked the victory of Pedro Passos Coelho's PSD, who received 39% (up 9.6% in comparison with 2009) of the vote against 28% for the incumbent Socialists of José Socrates (down 8.5%) (Magalhães, 2012). Interestingly, the PSD promised during the electoral campaign that it would even go "further than the Troika" requirements in reducing the deficit (Diário de Notícias 2011). Even if the PSD failed to gain a majority alone, it was able to build a coalition with the CDS-PP, thereby securing a broader base of support than the previous minority government for an extensive programme of austerity measures (Diário de Notícias, 2011). In a much reported speech in Parliament, Passos Coelho declared that if "saving the country" meant losing the next elections, then "never mind the elections" (Público 2012). Indeed, assessments of the reform record of the PSD-CDS/PP government confirmed that it had gone further than the Troika's requirements in a number of domains (see online appendix on extent of spending cuts), and secured a reputation of "good pupil" which contrasted with Greece. In fact, some measures of savings on public sector pensions and pay were so far-reaching that they were even ruled as unconstitutional by the Portuguese constitutional court.

Passive cooperation between government and opposition persisted to some extent even after the new right-wing government came to power, but declined

afterwards. For instance, the PS still passively supported the 2012 budget in the name of the “national interest” (Diário Económico 2011b). Later on, however, the socialists adopted an increasingly more adversarial strategy towards the government as the economic situation worsened throughout 2012, and a number of popular protests were held. They voted against the 2013 budget in September 2012, and presented a motion of no confidence against the government in late March 2013 (Diário Económico 2012) and after the EP elections of May 2014. As a whole, however, austerity reforms in Portugal have been carried out in a negotiated manner across mainstream parties, even if party agreements have been somewhat fragile. The strategy adopted by the PSD after it came back to power, namely “going further than the Troika” and endorsing a determined stance to cut spending, tends to support the idea that alienating clienteles was a minor concern in its reform agenda.

### **Austerity Conflicts in Greece (2009-2011)**

According to Pappas (2013: 33), the Greek party system “was built to ensure the distribution of political rents”, and clientelistic linkages have played a much more important role than in Portugal. By contrast to the Portuguese experience, where parties were built *from above* without really penetrating society, the new parties that emerged in Greece after the fall of the short-lived regime of the colonels in 1974 extensively resorted to the old electoral clienteles and networks which existed prior to the dictatorship (Lyrintzis 2011: 3; Pappas 2009: 322). By contrast to Portuguese mainstream parties, Greek parties, and PASOK in particular invested massively in the building of mass organisations with large memberships. Accordingly, the membership of the two main parties was multiplied by 12 between 1976 and 2005 (from 47’000 to

600'000), while it increased only by 60% in Portugal (from 116'000 to 190'000) (Bosco and Morlino 2006: 334). While PASOK was initially built with a strong programmatic agenda, its mass organisation was soon taken over by “patrons” rather than partisans (Pappas 2009). Its organisational model diffused to New Democracy, thereby transforming the two main parties in large political machines for the distribution of political rents.

While New Democracy under Karamanlis showed some liberal leanings, both parties soon came to rely extensively on the expansion of the public sector, or social benefits and immunity from the law to targeted social groups as a mode of electoral mobilisation (Mitsopoulos and Pelagidis 2011; Nicolacopoulos 2005). Pappas (2013: 37) argues that the Greek pattern of mass clientelism benefitted a much larger pool of beneficiaries than standard theories of patronage account for: “since society had been divided into two irreconcilable parts represented by parties regularly alternating in power, all citizens could reasonably expect to gain from patronage once their own party won elections”. This included public sector employees, recipients of social benefits and subsidies, and a number of protected professions enjoying preferential regulations, such as lawyers, pharmacists or taxi drivers (Pappas 2013: 37-38 ; see also Iordanoglou 2013).

The partisan patronage networks have also extended to organised interests, particularly the trade unions, which have developed different connections to parties from the Portuguese case. Greek labour unions have essentially been extensions of the mainstream parties (Lavdas 2005: 299) and have acted as lobbies within parties for the narrow interests of their predominantly male, older members within the public sector (Matsaganis 2007: 541). The biggest union confederation GSEE is structured along

political factions linked to both PASOK and ND. In 2011, union density within the public sector was five times higher than in Portugal, with 78.2% (see Table 1). By contrast to Portugal, closer connections between parties and unions have allowed for the kind of clientelistic exchange outlined above, notably with a massive expansion of the public sector over the 1990s and 2000s, far outpacing population growth (OECD 2011: 70; Pappas 2013: 37-38). As dismissals in the public sector were unlawful, each party kept hiring a supplementary layer of party followers after each election.

The thread of domestic reforms in Greece in the aftermath of the crisis accordingly differs from Portugal, most importantly because of the lack of significant compromises between government and the opposition. As mentioned above, contrary to Portugal, from 1995 to 2007 and the outbreak of the economic crisis, Greece enjoyed a period of continuous growth with rising incomes, consumption and employment levels (Mitsopoulos and Pelagidis 2011). This period of prosperity also hid persistent deficits, higher debt, and worsening competitiveness. Despite modest efforts towards fiscal consolidation through limited privatisations in the late 1980s and late 1990s, Greece did not implement any noteworthy structural reforms until 2007 (Featherstone and Papadimitriou 2008).

In September 2009, PASOK won a landslide victory drawing on an expansionist agenda based on pay and pension increases, tax cuts and re-nationalisations in spite of a bad economic climate (Zartaloudis 2013a). In late 2009, when the crisis worsened, PM Papandreou announced a number of reforms to reduce the deficit, but it claimed that it would “protect the vulnerable and the middle class”, and that the government was “not here to dismantle the welfare state” (Financial Times 2009). Against this background, the recourse to the Troika bailout and the commitment to a drastic austerity programme

in April 2010, when the government found itself in a situation of quasi-default, came as a shock set against its electoral promises. After the signing of the bailout in May 2010, the recession intensified. This was coupled with massive cuts in public spending, notably benefits cuts, along with an unprecedented rise in taxation (Zartaloudis 2014). However, many of these reforms were inadequately implemented (European Commission, 2010, 2012), at least partly because they would significantly reduce the scope for clientelistic relations. Finance Minister Papaconstantinou, who was keen on implementing Troika-mandated reforms by the book, was eventually dismissed because of his dismal popularity within the party and with voters. He was replaced by E. Venizelos, characterised by a more traditional populist profile (Financial Times 2011a). Each austerity package resulted in the resignation of a number of PASOK MPs, and PASOK gradually saw its previously comfortable majority erode progressively.

While the PASOK government was ambivalent about the recourse to official help to the Troika, the conservative opposition was clearly against it. New Democracy's position differed sharply from the position of its Portuguese counterpart (PSD) in that it forcefully opposed austerity measures. The new leader of ND, Antonis Samaras, rejected the first Memorandum of Understanding (MOU) and argued that austerity policies were squeezing demand out of the economy (ND 2010). Instead, Samaras advocated cuts in value-added tax, reductions in the tax rate of corporate profits and slashing employers' social contributions, measures that were dismissed as "unrealistic" by the Troika (Financial Times 2011b). It consistently blamed PASOK for the problems that the country was facing. Accordingly, Vasilopoulou et al. (2013: 395-396) show that ND scored even higher than smaller opposition parties in their "index of blame shifting" that they developed, particularly when it came to budget debates. Unable to build a

broader base of support with the opposition on a second EU bailout, Papandreou ended up calling for a referendum on the package in November 2011, but eventually withdrew his proposal, accepting to step down as PM and be replaced by a government of national unity headed by former ECB vice-president Lucas Papademos to implement the second bailout package (Hope and Barker 2011).

New elections were organised in May 2012: PASOK and ND were decimated, but no viable government could emerge. This period of uncertainty and intense polarisation ended with the new June 2012 elections, where ND marginally beat radical Left SYRIZA. Unlike the Portuguese PS and PSD, the two major Greek parties underwent a major electoral collapse: PASOK went down 31% in relation to 2009 (12.28%) while ND managed to gather 29% (down 4% from 2009), but had obtained only 18.8% in May. ND formed a coalition government with PASOK and a small splinter party from SYRIZA, Democratic Left. This government has appeared more stable and committed in implementing unpopular reforms in order to avoid a Euro exit (Zartaloudis, 2013a), but the downsizing of the public employment sector has remained an extremely contentious issue, many observers pointing to political clientelism as a major hindrance on substantial reforms in the public bureaucracy (Deutsche Welle 2013).

Samaras made a significant U-turn after the June 2012 elections, abandoning its anti-memorandum rhetoric, endorsing the adjustment programme and agreeing on a number of reforms with PASOK. However, this reversal only came about when it became clear that the alternative was an exit of the Eurozone, whose consequences were perceived as even more damaging than those of austerity measures on the organisational base of parties. Tellingly, the hollowing out of ND and PASOK due to the reduction of

clientelistic opportunities for their members and voters has been publicly admitted by senior party figures within both PASOK and New Democracy.<sup>5</sup>

## **SYNTHESIS AND CONCLUSION**

Our analysis has shown a clear variation in the cooperation strategies of political parties in Greece and Portugal with respect to fiscal retrenchment during the sovereign debt crisis. Portuguese parties have agreed on a number of fiscal retrenchment measures at the onset of the crisis, even if more adversarial patterns emerged after a new right-wing coalition came to power. However as a whole, reforms have been mostly negotiated, and existing patterns of party competition have persisted throughout the crisis. By contrast, adversarial politics has been the leading feature of fiscal retrenchment reforms in Greece. More recently, ND and PASOK agreed to support reforms but these parties are more unpopular than ever. By contrast to Portugal, the Greek party system has been completely reshaped, with a collapse in the electoral strength of the traditional mainstream parties and the rise of a radical party on the left (SYRIZA) and an anti-system party on the right (Golden Dawn). We have argued that the greater difficulty in finding compromises about austerity in Greece was due to an often overlooked variable: the greater extent of clientelistic linkages. For Greek mainstream parties, agreeing to fiscal retrenchment or supporting them openly undermined their own organisational base which drew on the distribution of selective goods, while this was not the case for Portuguese parties, who did not rely to such an extent on these strategies.

Fiscal austerity is more problematic for parties relying to a larger extent on clientelistic linkages because its electoral consequences may be much more severe, as

the Greek case has shown. Clientelistic linkages tend to be both tighter and more volatile than programmatic linkages. Since clientelistic exchange involves the distribution of resources that are possibly more important to clients than mere ideological affinity (jobs and income streams), they tend to create a closer connection and interdependence between patrons and clients. If patrons' ability to supply resources is undermined by austerity, there is nothing left that ties voters and parties, and clients may quickly desert their patron to find another one promising to supply resources. The incentives are different in the case of weak clientelistic linkages, in which the relationship between voter and party is both looser and more resilient. Voters and organised interests do not depend directly on parties for their resources, and policy drives towards austerity politics may be less constrained by vote-seeking concerns, as we have shown in the Portuguese case.

In this concluding section, we also seek to assess a number of alternative explanations to our argument focused on linkages. The first rival explanation would go along a functionalist argument linking the size of the adjustment required with different levels of party conflict. Hence, the more adversarial relationships between parties in Greece could be due to the much greater dose of retrenchment that was required by external actors, and the greater severity of the crisis during the period observed (see appendix). This line of argument, however, does not explain differences *across time*. There is no linear relationship between the level of party conflict and the extent of the crisis within each country. While in Portugal, compromises have tended to erode when the crisis worsened and the reforms failed to deliver results, in Greece the opposite was the case. Hence, there is no mechanic relationship between the extent of the crisis and patterns of party cooperation. Another argument linked to policy



would explain different levels of conflict by the specific “policy mix” of reforms, for instance between spending cuts and tax increases. However, it is difficult to argue that a different policy mix could have allowed compromises in Greece insofar as ND, before it came back to power, questioned the necessity of fiscal adjustment altogether rather than its content.

This leads us to our second alternative explanation, party competition. In Greece, mainstream parties had an incentive to oppose austerity because protest parties on the left and the right (such as SYRIZA or Golden Dawn) were credible electoral alternatives. In Portugal, however, protest parties – essentially on the left – were not perceived as credible alternatives, and have stayed astonishingly weak. In this context, the risk of electoral sanction for retrenchment was much greater in Greece than in Portugal. Besides sanctions in the polls, anti-austerity protests led by particularly militant trade unions have also been shown to be much more adversarial in Greece than in other countries, possibly due to an entrenched tradition of violent resistance (Andronikidou and Kovras 2012).

However, one may argue that both the emergence of protest parties and more radical forms of protest in Greece were connected to the higher density and volatility of clientelistic linkages outlined above. The transformation of the Greek political landscape has probably more to do with the collapse of the PASOK-ND clientelistic system than with a massive ideological realignment of the electorate. Mass clientelism led Greek parties to systematically over-promise, and voters to over-expect, which led to brutal sanctions and anger when these promises had to be betrayed (see Zartaloudis 2013a). In contrast, Portuguese parties did not promise as much, and voters did not expect much from them either. Another factor explaining compromise is the fact that the

Portuguese PS government only controlled a minority in parliament , and an outright lack of cooperation from the PSD would have caused a much earlier fall of the government, making perhaps the opposition look politically irresponsible. However, the subsequent austerity drive of the PSD in power and intermittent cooperation from the PS is better explained by our linkages argument than this type of power fragmentation argument (see, e.g Zohlnhöfer 2007).

Finally, we should also consider that the period under scrutiny in Greece was after the country was bailed out, while the socialist government in Portugal was in place before the bailout. However, the type of external constraints in place before the bailout were not substantially different given the very small fiscal room for manoeuvre, either due to market (bond yields) or political constraints. Timing may nevertheless have played a role in terms of the interdependence of cases: Portuguese parties may have anticipated that the conflicts observed in Greece would drag the country into an even worse situation.

Given the fluidity of the Eurozone crisis, it is difficult to assess the external validity of our explanation in other cases. Spain seemed to display patterns relatively similar to Portugal, while Italy - which also displays high levels of clientelistic linkages in Kitschelt's (2013) database – underwent significant instability with the formation of a technocratic government and the rise of an anti-establishment party (Beppe Grillo's *Movimento Cinque Stelle*). This echoes developments we document in Greece. Ireland, for its part, also displayed cooperative patterns of policymaking in austerity in spite of the substantial collapse of the hitherto dominant Fianna Fáil. The connection between the nature of party-voter linkages and support for austerity policies that we have

outlined here can hopefully open new avenues for research on countries forced into hard policy choices.

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## **NOTES**

<sup>1</sup> In the case of Spain, the bailout granted at the end of 2012 was restricted to the banking sector.

<sup>2</sup> In line with this, Vasilopoulou et al. (2014: 390) argue that the dynamics of the Greek political system shifted after 2011 with the emergence of a technocratic government, and also restrict their analysis to the period before this point. As the impact of party competition was partly suspended during this period, we limit our analysis to the previous period.

<sup>3</sup> Average of expert replies to question “Consider whether candidates or parties give or promise to give citizens preferential access to employment in the public sector or in the publicly regulated private sector. How much effort do candidates or parties expend to attract voters by providing preferential access to employment opportunities? [1] A negligible effort or none at all [2] A minor effort; [3] A moderate effort; [4] A major effort.

<sup>4</sup> Appendix available at [http://bit.ly/data\\_jepp\\_grepor](http://bit.ly/data_jepp_grepor)

<sup>5</sup> A long-standing senior member of PASOK and Vice-President of the 2009-2011 PASOK government Theodore Pagkalos authored a book titled ‘We ate them all together’, whereby he argues that Greece’s financial predicament resulted from long-term fiscal mismanagement which promoted clientelism and corruption, and that now the opposition argues for the continuation of this policy (Pagkalos 2012). Likewise, a ND MP admitted after the 2014 European elections that ND has lost a key part of its electorate as it cannot provide anymore the clientelistic favours that these voters were demanding from the party (Skai 2014)

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