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# Lessons from the Greek crisis

George Tsebelis

**ABSTRACT** There are two features of the Greek crisis that need explanation: the lopsided outcome where Greece did not achieve any of its stated goals; and the protracted negotiations. I explain these two features as results of two factors: *Nested Games* (the Greek prime minister was also involved in a game inside his own party); and incomplete information (the Greek government did not understand the weight of unanimity to change the *status quo* in the EU, and did the best it could to create a unanimity, of all the other countries, against it). The lessons from the crisis are two-sided: for the Greek side not to lose any more time in the application of the agreements (say, with elections); for the EU side to consider different ways of forming and aggregating preferences: having elections (with a wide EU constituency as opposed to national ones), and making decisions (eliminating the unanimity requirement).

**KEY WORDS** Bargaining; constitutional rigidity; EU crisis; Greek crisis; nested games; veto players

## 1. INTRODUCTION

This article is an analytic narrative (Bates *et al.* 1998) of the Greek crisis and institutional lessons that one can draw from it. From the January 2015 election until the announcement of a deal with the European partners on 13 July, a coalition government made up of the left-wing SYRIZA party and the right-wing ANEL (Independent Greeks) party has been in constant negotiation with the European Union (EU) about reformulating the Greek bailout. The outcome was the announcement of a third loan of around 80 billion euros, paired with a Memorandum of Understanding (MOU), which specifies a series of prerequisites and will mandate even more restrictive terms than previous agreements.

The negotiations were secret, but there were plenty of leaks on both sides. These leaks trafficked not in facts but in the impressions of people participating in, or close to, the talks. And while the Greek government was relentlessly optimistic, it ended up signing an agreement that the prime minister (PM) himself declared unfair and as blackmail, since the alternative was the economic destruction of Greece.

In February, the negotiation rollercoaster passed through phases of intermediate agreements to 'creative imprecision' (the description of the situation at the time by Greek finance minister Mr Varoufakis [*Proto Thema* 2015]), to contentious confrontations, to a referendum where the Greek people, upon

recommendation of their government, rejected an invalid draft of EU proposals by a majority of over 60 per cent. It culminated in the final night, where failure was averted when European Council President Tusk prevented the participants from leaving the room by threatening to announce that the disagreement was over 2.5 billion fictitious euros. Yet the result of the negotiations was predictable: the agreement is exactly what the EU wanted, and it is so burdensome that its current form is not able to be implemented. As a result, Greece and the European community will continue to experience aftershocks, which may even reintroduce Graccident (which is a non-deliberate and/or non-preventable Grexit) to our event horizon.<sup>1</sup>

Concerning the Greek crisis, there are two major results we have to explain: (1) the lopsided outcome against the Greek government; and (2) the length of the negotiation process. I will explain these two points, use my analysis to predict the parameters of future events in Greek politics, and point out EU structural remedies to avoid inefficiencies like the prolonged conflict (which still continues and may be repeated in the future around different occasions).

## 2. NEGOTIATIONS AND THEIR CONSEQUENCES FOR GREEK ECONOMY

In any negotiation, the two parties have ‘reservation prices’ (that is, the point at which a negotiator would rather forgo any agreement than accept a suboptimal offer). Reservation prices depend on how beneficial the deal on the table is and how disruptive the alternative would be. Understanding that Greece represents only 3 per cent of the EU’s gross domestic product (GDP), an outside observer might conclude that the EU’s reservation price is quite low – that it would be willing to walk away from the talks much sooner than the Greeks. In turn, any agreement will be weighted towards the EU to reflect this. Yet there are two additional and observable factors – one institutional and one substantive – that shaped the outcome.

The EU’s institutional advantage is that decisions (in the Eurogroup and in the Council) are made unanimously, which implies that it is very difficult for any proposal to be accepted. For example, the Treaty of Lisbon, which is the functional equivalent of an EU constitution, took a decade to be negotiated and adopted (Finke *et al.* 2013). In the negotiations game, unanimous decision-making worked against the Greek government, given the difficulty of getting any of its proposals accepted.

The Greek government did not seem to understand the implications of this institutional feature of the EU. The government maintained that its position expressed the will of the Greek people and that it was thus entitled to impose its preferences (to ‘tear up the memorandums’) on the EU or insist that the EU made at least 30 per cent of the demanded concessions to reach a compromise. The PM, Mr Tsipras, repeatedly asked for private meetings with European leaders (German chancellor Angela Merkel, European Commission President Jean-Claude Juncker, and European Central Bank (ECB) president Mario

Draghi) to talk about a political solution. Yet, time and time again, he was pushed back politely with the argument that the decision will be made by institutions – namely, the Eurogroup, or the ‘troika’, of the International Monetary Fund (IMF), the European Commission and the ECB.

The EU’s substantive advantage was that it had control over liquidity. In all bargaining situations, the most impatient player has to make the most concessions. The Greek government points out that a failure in negotiations would be detrimental to the EU as well as to Greece. That might be true, but not over the same time frame: time was much more valuable to Greece than to the EU. It is reported that in the crucial last meeting Mr Tsipras was confronted with a ‘detailed scenario’ by the European Commission pointing out the measures the EU would take to protect itself and the consequences of Grexit.<sup>2</sup> This document made him realize that the only alternative to accepting the EU’s terms was to drive his own country into bankruptcy and chaos.

Time extracts a price during negotiation games, and an early agreement is better than a later one. In this particular case, delays diminished Greek liquidity: Greece ran out of cash for payments on salaries, pensions and debts to the IMF. Several government officials announced that they might decide to pay salaries over creditors, which resulted in capital flight from Greece, further weakening Greece’s position. Delays in the talks hurt Greece’s tourism industry, its major source of income. Foreign travel agencies asked for contracts in which the Greek side assumed the risks of a change in currency (in case of Grexit) or an increase in the value-added tax (one of the major negotiation issues for the payment of the debt). Furthermore, delays have hurt the Greek government’s standing with the public. Although Greek popular support for SYRIZA has remained more or less stable since the election, government policies have recently lost backing in the polls.

The Greek leadership did not understand that the negotiating deck was stacked in the EU’s favor, and wasted time learning the obvious. Still, a majority of the party’s central committee was against the agreement. While the PM has now acknowledged his defeat, in front of the Greek parliament he also claims that his strategy of confronting Europe on matters of austerity will have long-term consequences (To Vima 2015b).

The agreement in Brussels has to be approved by the Greek parliament. The first step of this process has been completed (both initial agreement and two rounds of prerequisite measures), but now we have the negotiations and approval of the third MOU of over 80 billion euros. To understand the coming events, it is worth examining an important feature of Greek institutions: any elections held within 18 months of a previous vote take place under a list voting system. This means that party headquarters determine the sequence of candidates on the ballot. Put simply, party leaders decide who gets elected.

This particular provision gives exceptional power to the Greek prime minister, power much greater than that granted to counterparts in any other country in the world. Almost all prime ministers of countries with parliamentary systems

have the power to call for a vote of confidence, forcing members of parliament to decide not only whether they are in favor of a particular bill, but also whether they are willing to defend their choice by standing for a new election (the result of a negative vote). This is a serious weapon in the hands of a prime minister. Yet the list electoral system within 18 months of the previous election is a much stronger weapon. The Greek PM not only can threaten to call an election, he can also control the future members of parliament using his capacity to exclude dissidents from the party's lists. Many party officials, including the ones closest to Mr Tsipras, have claimed that they will whip the vote and that if the government loses the vote, there should be an election. The most recent developments have the PM claiming that either his party will support his handling of the matter, or that there will be new elections. And the expectation is that SYRIZA will be divided in the forthcoming (September 2015) Congress.

Working backward, it is easy to see the effects of these rules on the negotiation game. In all polls, SYRIZA is 15–20 points ahead of the second party, New Democracy (ND). The reason is that the main opposition party, ND, was, until recently, run by the previous prime minister, Mr Samaras, who wanted to have his own policies recognized and approved by the Greek people. The new interim leader, Mr Meimarakis, was selected for reasons of internal party balance. As long as elections happen ahead of new events that might unfold, Mr Tsipras will be the winner. As I was writing, a month before the closing of the banks and the signature of the agreement:

So here are the strategic calculations of the actors: Tsipras is the median voter among the left wing of his party and of the Greek people. The left wing of his party has become louder and stronger over the last four months. The Greek people have become more confused and ambivalent. Any agreement that Tsipras signs with the EU and brings in front of the parliament is sure to be approved. (Even if he loses some of the 163 parliamentarians that support his government, he will gain many more from the current pro-EU opposition.)

Assuming he is undecided or does not want to bring such a deal in front of his party, he is likely to get one more chance: if he dramatizes the situation—defaults on one of the debt payments and restricts currency movements—the public (projecting the current trend of polls) will likely grow more decisively in favor of staying in the Eurozone. Such an outcome will tilt the balance of power more in his favor within SYRIZA. This, of course, is a risky gamble because predictions under such unprecedented circumstances cannot be precise. But more to the point, it is a significantly more costly solution for the Greek people, who will suffer as the economy freezes. (Tsebelis 2015a)

This analysis was corroborated by the results of the negotiation and the subsequent vote in parliament (the agreement received 230 out of 300 votes).

### 3. THE LENGTH OF THE NEGOTIATING PROCESS

What *is* obvious is that these negotiations lasted way too long. Understanding the reasons the talks have been so protracted may help the EU avoid similar situations in the future.

There are two possibilities: the first is that one of the two sides did not want a deal. The second is that at least one of the two actors was unaware of the exact preferences or capacities of the other – the problem of incomplete information. While both sides had strong proponents of Grexit in their ranks, these actors did not constitute a majority or have a predominant position within either bargaining team. The drama of the negotiations, therefore, must come down to incomplete information: messages were not effectively transmitted in the negotiating process.

There are two important features of the negotiation game that are essential to understand when analyzing the actors' choices. The first one is that Mr Tsipras was involved in three different games: (1) he was a popular leader in the Greek electoral game; actually, throughout the whole process, because of the lack of electoral alternative, his approval ratings remained steady, even if people disagreed with his handling of issues; (2) he had a strong left-wing opposition inside his own party (it controlled between 40 and 50 per cent of the central committee, but it was a minority of the Parliamentary group); these numbers are impressive for a left-wing party that some years back represented only 4 per cent of the voters; (3) he was negotiating with multiple actors at the EU level, including the Eurogroup.

Let me underline this multiple game feature, because while it may appear as trivial since all actors are involved in multiple games (for example the EU leaders are themselves elected and have to pass their choices and agreements through their own parliaments, or persuade their people that the choices they make are sound), the multiplicity of games may lead to actors making suboptimal choices in any one of them (Tsebelis 1990).

The second feature is that the Greek side underestimated the institutional and procedural advantages of the EU side that I discussed above: the unanimity requirement for EU decisions and the importance of liquidity control.

The first factor accounts for the appearance of the Greek positions as contradictory and/or random. The second factor accounts for the lack of agreement for a long time, while the world (including the United States [US], Russia and China) was advising Mr Tsipras to stand down.

#### 3.1. The Greek 'strategy'

The Greek 'strategy' is a mess of random and contradictory messages from Greek government officials, resulting from trying to co-ordinate across these different games. Athens's fundamental position was that it had a recent popular mandate to demand the end of austerity and the reduction of the debt burden. EU officials rejected the request for a variety of reasons (some,

like Germany, because they would have to pay more; others, like the Southern countries, because they would have to explain to their citizens why they applied memoranda while Greece did not; others, like countries of Eastern Europe; because they had lower per capita income than Greece who was asking for support) as excessive and unfounded.<sup>3</sup> In addition they were particularly incensed by the tone of Mr Varoufakis (Greece's minister of finance), who often appeared (according to the press as well as other financial ministers) to be trying to educate his European counterparts about economic best practices. EU officials treated his arguments as those of a death row inmate who claims to be against the death penalty: not credible and resulting from a conflict of interest. Eventually, Greece removed him from negotiations (but retained him as minister of finance).

After that round, Greece introduced a new tactic, in which it argued that it had no money to repay IMF loans. (Varoufakis's statement to IMF Managing Director Christine Lagarde was that Greece will pay its debt 'perpetually' [*εις το διηνεκές*] [To Vima 2015a]). In June, for the first time, Greece delayed a series of payments until the end of the month. Athens did itself a disservice by publicly announcing that the request was a matter of strategy, not necessity, which further diminished its negotiators' credibility.

The Greek government's efforts to develop alternative agreements and threaten the EU with the geopolitical consequences of a Grexit fell flat. Among other things, the Greek defense minister warned that if the EU didn't support Greece, Greece would not be able to defend Southern Europe from hordes of jihadists; also, if Europeans continued to take a hard line on Greeks, Greeks would turn the negotiations into an explosion (the word used was 'Kougi', from a historical event in which monks blew up their monastery rather than submit to Turkish rule); finally, if Greece lost the EU as a patron it would simply turn to China or Russia. To back that threat up, Tsipras spoke out against the European line on the Ukraine and visited Russia 'in search of new safe havens' (statement that estranged the Baltic countries) (To Vima 2015c).

As a result of its jumbled strategy, Greece was unable to win or communicate with allies, lost its credibility and raised questions about its loyalty to Europe. In a sense, the country's failing just reflected the contradictory preferences of the Greek people: to both stay in the euro and to jettison austerity.

But, most of all, the ultimate U-turn was the referendum of 5 July. The Greek prime minister declared that he would introduce a working document of the EU as a question for a referendum, and the Greek government would recommend a vote 'no', since the terms in this document (mainly the lack of any discussion about the debt) were unacceptable. It is difficult to provide a rational choice account for this development without referring to the *Nested Games* approach (Tsebelis 1990). It looks like a 'mistake' if one focuses on the negotiation game alone.<sup>4</sup> This is particularly true, given the negative position of all EU authorities, the non-official nature of the document under consideration, the time constraints (the referendum was executed within a week), and the negative consequences of the initiative (closing of the banks and capital controls, as well as

the resulting negative predisposition of the EU in negotiations subsequent to the referendum). Yet the new minister of finance, Mr Tsakalotos, provided a rational explanation for this particular choice in an interview with CNN: the referendum was, in the opinion of the Greek government, necessary because the agreement would not pass through the Greek Parliament (*Antenna* 2015). Another Greek minister (Mr Panousis) has made the statement (contradicting the prime minister) that the possibility of the ECB cutting off funding and the consequence of capital controls as a result of the referendum had been discussed in the Council of Ministers. The combination of the two statements seems to imply that the referendum was the excuse to close the banks and introduce the painful deal as the alternative to chaos, in order to achieve the agreement of the party.<sup>5</sup>

There are more points that have to be made about the referendum because it shaped the negotiations as well as Greek political life. The result was 60–40 in favor of ‘no’. Given the imprecision of the question, ‘do you agree with the documents of the EU?’, in combination with the content of the documents (a compilation of taxes, some of them in English), the lack of an alternative, and the fact that the popular PM supported the ‘no’ position while there was no institutional proponent of ‘yes’ (besides the President of the Republic), the result shows an unusually strong support of ‘yes’ (why would anybody vote ‘yes’ if asked whether he wants to pay more taxes?) .

However, the most important consequence of the referendum was a large-scale natural experiment illustrating the meaning of the rational choice expression ‘common knowledge’.<sup>6</sup> Before the referendum, newspapers were reporting opinion polls indicating strong support for the PM, strong support for the euro, willingness to do anything to keep the EU currency, and revolt against austerity and taxes, etc. That is, a series of statements that were not subject to logical constraints and ignorant of any tradeoffs. With the referendum, now everybody had to focus on the same result: 60–40. The meaning of this result is not clear, yet the reference to the precise result is indisputable. Mr Tsipras interpreted the result as a mandate to go back to Europe and negotiate an agreement. The ‘left’ wing of his party made the argument that he transformed the glorious ‘no’ of the Greek people to a humiliating ‘yes’ (*In Greece* 2015). But nobody could dispute that there was a 60–40 split of the Greek people in favor of ‘no’.

The result of this common knowledge was that the left wing of SYRIZA became stronger, and while the institutional constraints inside SYRIZA were previously in favor of Mr Tsipras (as Section 2 explained), after the referendum a majority (109 out of 201) of the Central Committee of SYRIZA voiced disagreement with the new memorandum and vowed to stop the agreement. The most recent development is that the same Central Committee decided that decisions about the future of the party will be made in a Congress in September (after the signature of the new MOU).

Right now, everybody inside SYRIZA speaks about the glorious referendum result. But in the long run, it will be very difficult for Tsipras’s side to justify the



referendum choice: it had detrimental consequences for his position both internationally (closing of banks, capital controls, weakening the economy) and in the game within the party.

### 3.2. The European wall

The Greek strategy and tactics pushed all 18 other finance ministers (including Cyprus's minister) to reject the Greek positions. It is possible that things would have been different if Greece had moderated its demands. Instead of lecturing about economic policy and about their strategy to improve the EU, for example, the Greek negotiators could have based their arguments on the fact that the economic crisis shrank Greece's GDP, increasing the share of pensions relative to Greece's GDP. Similarly, they could have insisted on the fact that the IMF, because of its mistaken assumptions about economic multipliers, shared responsibility for Greece's recession.

Had Greece understood the preferences of other players and the constraints of the EU, it might have won more allies. But even then, it is unlikely that the EU would have voted to change the terms of its bailout loans, since such a change requires a unanimous vote. In the Greek case, even were the EU to have changed its policies, the IMF and the ECB (the two other lenders) would have had to agree (Tsebelis 2015b). These organizations have very strict regulations, and negotiators have clear limits on the actions they can take. The electoral promises of SYRIZA, while very effective in selecting votes and pushing the ND to a similar populist strategy (Pappas 2014), were simply incompatible with these limits.

Actually, the multiplicity of veto players with incompatible preferences may be leading to an empty set as the possible outcome of the negotiations. The IMF needs a serviceable debt in order to participate in any negotiation, while the EU wants both IMF participation and no trimming of the Greek debt which (whether it is 170 per cent or will be 200 per cent of GDP as now estimated) is currently non-serviceable. This is the reason that many analysts, including Nobel Prize-winning economists, speak about the impasse of the German strategy in Greece, or about the lack of solidarity, or about the stringency of the required measures. Yet, the way the EU has reacted in the Greek crisis is essentially to postpone the settlement of debt until the Greek economy is able to have a primary surplus. Should this occur, Greece will be offered as a reward.

The bottom line is that the debtors were not able to speak to the creditors, and the creditors were not able to listen to the debtors. Now that there has been an agreement to negotiate, we need to consider how to avoid repeating the same mistakes.

## 4. LESSONS FOR THE GREEK SIDE

The Greek government has led itself to an impasse. Mr Tsipras persuaded the majority of Greeks that there could be a way out of austerity without paying

(SYRIZA's electoral program was specifying 11 billion euros in expenses, and the president of the parliament is talking about an 'odious' debt). Now he has to go back and explain not only that his tactics led to a defeat, but also provide a persuasive road to recovery. Right now, he claims that he disagrees with the EU program, but that he will negotiate the third memorandum and implement it.

Yet, his party has been split (a majority of the Central Committee prefers Grexit over the memorandum that violates the electoral promises of SYRIZA). More important is the position of the Greek people. Right now the Greek parliament is experiencing a minority government – the first in Greek history. The previous majority (163/300) has now been reduced to a minority (130/300) and measures pass with the support of the three pro-EU among opposition parties (New Democracy, PASOK and POTAMI), leading to commanding majorities (230/300) in favor of EU-prescribed austerity measures.

For the last five years, Greek political life generated a two-dimensional space: the left–right traditional competition, along with the memorandum–anti-memorandum dimension. Immediately after signing the agreement, Mr Tsipras changed the rhetoric and replaced the second axis (memorandum or not) by the axis of euro or drachma (difficult compromise or destruction). He has been very successful in this enterprise (with the support of the pro-EU parties of the opposition) against the majority of the apparatus of his own party, which complains about the incapacitation of the electoral contract of SYRIZA.

Figure 1 provides the visual representation of the Greek party space. I have divided SYRIZA into two parts (the one following the PM, and the AP [Left

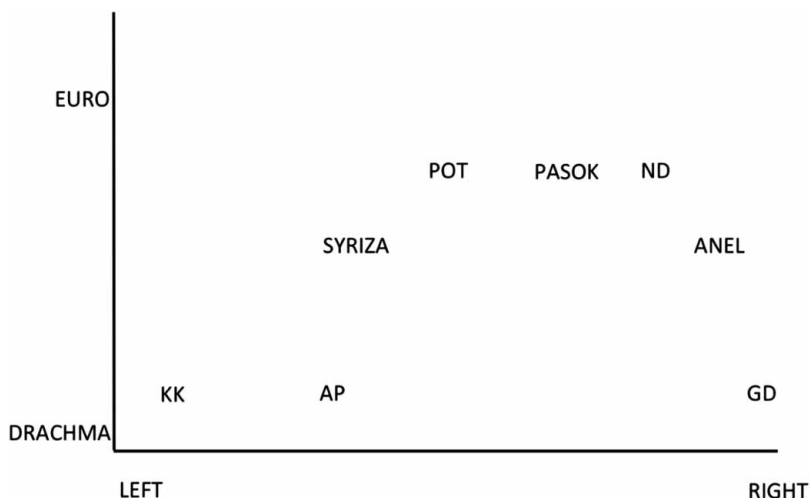


Figure 1 Political positions of Greek parties in a two-dimensional policy space

Platform]) to reflect the inner divide on the euro–drachma axis: the parts have the same position on the left–right axis but conflict on the euro–drachma axis.

Figure 1 demonstrates that despite the loss of the majority of the governing coalition, Mr Tsipras has remained the central actor in Greek political life. It is not only his personal appeal with the electorate, but also his central location in the political map that make him the necessary, but not sufficient, ingredient for any working solution to the Greek problem.

The figure points out the three alternatives available to Mr Tsipras: first, the creation of a universal coalition, with the obvious major goal of negotiating and implementing the new agreement; second, the creation of a minority Government with a longer time horizon (including non-political personalities that would be willing to help on negotiation and implementation of measures); third, a short-lived minority government and elections in early fall.

For the time being, he has selected the third alternative: he just eliminated the Left Platform (AP) representatives from his government, leaving everything else intact. Yet he could change his mind again in the near future and have a new reshuffle. The three games that he is involved in (see Section 3) dictate opposing choices. The interaction with the EU ranks the options in ascending order. The Europeans would prefer a stable Greek government able to carry out the necessary reforms as well as austerity measures. The electoral and the intra-SYRIZA games rank the options in descending order. Indeed, while spending time on elections would be even more destructive for the Greek economy and would probably raise objections in the EU, a new election would also reduce the options of all possible opponents of Mr Tsipras (it would not allow the effects of the new measures to be felt before the election and it would not give the opportunity to internal opposition or external opposition to organize). In other words, a new election (the third popular statement in 2015) is not necessary, and the uncertainties it will produce will hurt the Greek economy even further. Yet it is in the interest of the Greek PM and his leading group.

So, time in Greece will be very dense and outcomes will depend on a multiplicity of factors. Timing of the elections is only one of these factors. The electoral system is another. The current electoral system gives not only 50 seats bonus to the first party, but enables Mr Tsipras to form the list of his party. So, he will not want to change it, despite the fact that he has advocated proportional representation, and promised it. Yet the smaller parties of the opposition (PASOK and POTAMI) can introduce a debate on the electoral system in Parliament, and in the (unlikely) event that a proposal for proportional representation receives 200 votes, it will be applied immediately in the upcoming elections (otherwise, in subsequent elections).<sup>7</sup> The electoral strategy of the different parties is also a factor difficult to predict, because these strategies will be affected by the results of the negotiations. For example, a reduction of debt (nominal or substantive) would be an important argument in any electoral competition.

All these possibilities will unfold in an extremely unstable environment, because Grexit (despite the fact that it been averted at the last moment and

exorcised by official EU representatives like Juncker) still remains as a plan B officially introduced by Mr Schäuble, ready to be implemented in response to any kind of Graccident.

## 5. LESSONS FOR THE EU

Many analysts of the crisis oppose the EU intransigence, objecting to the austerity program imposed on Greece, the level of detail of measures (it specifies even stores needing to open on Sundays) or the economic philosophy behind it. I will take a very different tack and talk about the problems of institutional design, because they are both antecedent and more profound than the opinions or preferences of the different actors. They deal with how these opinions get formed, and how they get aggregated.

### 5.1. Preference formation

There is a problem generated by the connection between the people in the EU and their (multiple layers of) representatives. Actually, strictly speaking, there is no ‘people of the EU’, since there is no election that expresses the will of the people as EU members. The closest substitute is the election of the European Parliament (EP), which is a co-ordinated series of national elections. The literature speaks about ‘second order national elections’ (Reif and Schmitt 1980: 8) where the people of each country vote up or down the representatives of their own (national) government.

As a result of this procedure, the opinions of different ideological groups (socialists, Christian democrats, not to mention the nationalist right) are essentially the country-size-weighted average of the different national opinions. The socialists of one country do not interact, exchange opinions or try to combine their preferences with the corresponding group of another country. It is their representatives that meet in the EP and form (heterogeneous) parties. And it is national opinions that are aggregated in two different ways: one in the Council, where national oppositions are not allowed; and one in the EP, where all national representatives participate.

Looking at the Greek crisis, one can verify that the representatives of the German coalition had a common position about fiscal discipline (with minor differences); similarly, the final Greek coalition that approved the agreement involved an overwhelming parliamentary majority, who share beliefs about growth (regardless of whether they represent the right, the center or the radical left).

There is no EU representative that has been elected by the EU people as a whole. Nobody has proposed ideas and/or solutions designed to work for the whole Union; most of the time, solutions are intended for a small (national) part of it. The Presidents of the Commission and of the EP are the closest substitute to representatives of the whole EU, but they have emerged out of élite compromises and tradeoffs (between large and small countries, between left

and right, etc.). No EU candidate for office depends upon the evaluation of his/her ideas and proposals by the EU people (meaning, Greek, German and other people alike as a single constituency). If the EU is to become more unified, on top of expanding its jurisdictions, it has to debate the issue of strengthening the links between European citizens and their representatives. Right now, all the links are within each nation, and the decisions require unanimity. To this point we now turn.

## 5.2. Preference aggregation

When it comes to EU institutions (and also to important issues, like foreign policy), unanimous decision-making rules the day. This extremely stringent criterion makes any changes to the *status quo* almost impossible. For example, the EU has repeatedly tried to modify its institutions through a series of treaties with some unsuccessful (Amsterdam), while others (Lisbon) took almost a decade to achieve (Finke *et al.* 2013). The only exception to this rule was the Fiscal Compact of 2012, which regulated the conditions and procedures of financial support under the threat of the collapse of the euro and was negotiated in a couple of months. In this case, Europeans managed to come to an agreement by essentially omitting controversial issues from the final report (Tsebelis and Hahn 2014). These were the rules that Greece wanted to bypass, but since they were enacted by unanimity they are basically impossible to change, even if many countries dispute their validity.

The incoherent strategy by the Greek government and the unanimous opposition of all other EU members should not distract from the EU problem: the *status quo* is almost impossible to change. The next time other actors wish to change the rules, they too will find the *status quo* equally well protected. Of course, the argument can be made that the EU is not a nation and that different countries within it wish to protect their national sovereignty, making the (almost) impossibility of change an advantage rather than a disadvantage.

It is interesting to examine some of the characteristics of the European institutions, and compare them with similar data of advanced countries. The length of the Lisbon Treaty is over 47,000 words (including appendixes, it's more than 75,000). This length is significantly smaller than the pre-Lisbon period, where successive institutional revisions were superseding (but not cancelling) the previous ones. In comparison, the Mexican constitution (most garrulous among Organization for Economic Co-operation and Development [OECD] countries) has approximately 57,000 words. Constitutional revisions have been very frequent in the EU, from the Single European Act (SEA) to Maastricht to Amsterdam to Nice to Lisbon. Finally, the constitutional rigidity of the EU – unanimity – is monumental. These facts can be compared with national constitutions in advanced countries. Figure 2 provides two graphics representing the OECD countries.

Figure 2 presents the constitutional rigidity (how 'locked' or difficult it is to amend the constitution of a country) as a function of the constitution's length.

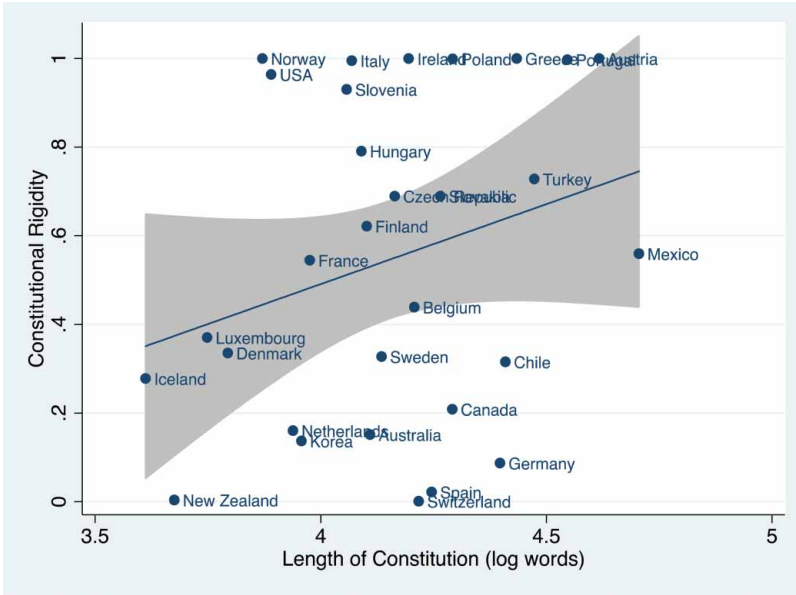


Figure 2 Constitutional rigidity vs constitutional length  
 Source: Tsebelis and Nardi (2014: appendices).

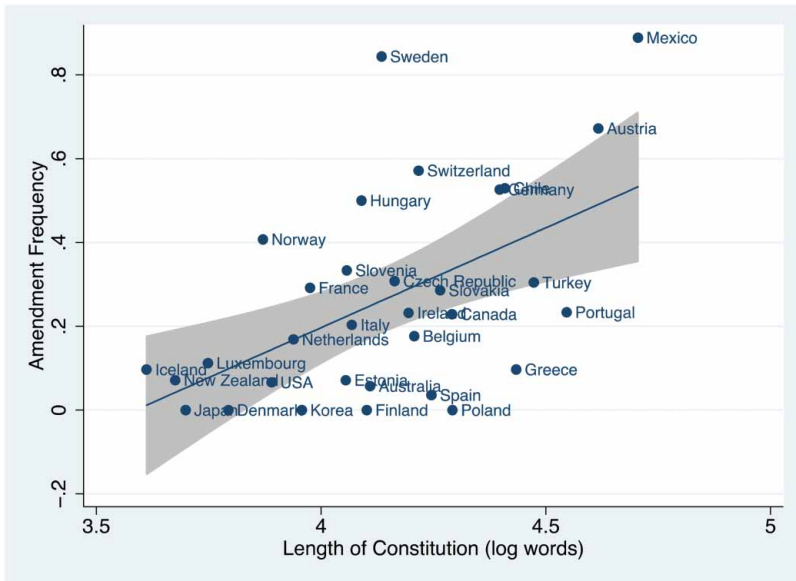


Figure 3 Number of amendment events vs constitutional length

The final figure, [Figure 3](#), provides the frequency with which constitutions have been amended as a function of the constitutional length. Longer constitutions are more frequently amended.

The combination of [Figures 2](#) and [3](#) indicates that longer constitutions are more frequently amended, despite the fact they are more rigid and harder to amend. From what I said above, the Lisbon Treaty belongs on the top-right edge of both graphs. Consequently, all the arguments I have been making about the constitutional rigidity of the EU and the frequent revisions of the EU rules are also applicable (in less extreme forms) in a much broader category of countries (OECD with long constitutions).

## 6. CONCLUSIONS

The Greek crisis lasted for a very long time – since 2009/10. While it was foreseeable that Greece would accept the EU terms one more time, the length of the negotiations was the result of two different factors: (1) the Greek government's inability to understand fundamental features of EU institutions (the inflexibility of the EU); and (2) the unanimity rule which turns each one of the EU member governments into a veto player ([Tsebelis 2002](#)), and the number of these veto players increases when one considers the international actors (IMF, ECB) who have particularly strict regulations.

The current situation has officially prevented Grexit, but has not eliminated the possibility of a Graccident. The complications of Greek political life and the internal strife of SYRIZA increase the probability that these results will be cancelled.

Mr. Tsipras took too long to decide how to handle the negotiations. He was too concerned with the politics of his party. The delay had a big cost for the Greek economy. After the Central Committee meeting (30 July 2015) and the resignation of some (but not all) of his opponents, the balance of forces is tilting his way inside his party. In addition, despite his serious shortcomings (attention to issues of communication over substance indicated by the months of negotiation over the terms 'troika', 'memorandum', over the place of meetings, as well as indecisiveness indicated by his inability to make a substantive decision before literally the edge of the cliff), he is for the time being a pivotal player inside the parliamentary game in Greece, and the only politician respected by the Greek people. Therefore, he is for the foreseeable future a necessary (but not sufficient) condition for any solution keeping Greece in the eurozone. Now that the internal strife inside SYRIZA is moving his way, he has to realize that the Greek administration is a very weak tool to implement any decision. And no matter what decisions he makes, there will be serious implementation problems. But first, he has to make these decisions. He may try to capitalize on these extraordinary conditions and promote a series of institutional reforms consistent with the ideology of the left (transparency, reduction of tax evasion, meritocratic appointments in the public sector) or he may continue complaining about austerity and try to abort the EU-prescribed measures.

Then again, he may continue being undecided between the two, which will increase the probability of a Graccident.

Regardless of the Greek question, the EU has its own institutional problems (electoral and decision-making institutions), described in the fifth section of this article. The decision-making problems are particularly acute in the EU, but replicate problems in other advanced countries. Institutions are rigid and, despite their rigidity, change often. These two characteristics are incompatible, and coexist more in longer constitutions.

To further compound this difficulty, in an era of globalization, time becomes more dense, and unanticipated events occur more frequently. One can imagine problems that will require flexibility in decision-making, and one does not have to search far to find them. Looking at the EU, such problems could be economic events, immigration, terrorism and the negotiations around Brexit. And while the problem of constitutional rigidity is particularly acute in the EU, it appears under milder forms in OECD countries as [Figures 2 and 3](#) indicate. So, regardless of the outcome of the Greek crisis, the issue of locked constitutions is a topic worth discussing.

## POSTSCRIPT

Since the submission of the article, two events corroborated the analysis presented here. The first is a statement by the vice-president of the Greek government, Mr Dragasakis,<sup>8</sup> who admitted that the SYRIZA analysis that the EU would back down if threatened with Grexit was a mistake (the argument of incomplete information). The second is the proclamation of elections by the Greek PM. This choice indicates that he selected on the basis of the game played inside his party as opposed to vote the necessary measures implementing the MOU and enabling the Greek economy to stabilize (argument of *Nested Games* [Tsebelis 1990]).

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## NOTES

- 1 The article is written a couple of weeks after the agreement in the end of July 2015 and submitted on 22 August 2015.
- 2 Available at [http://www.nytimes.com/aponline/2015/07/07/world/europe/ap-eu-greece-bailout-the-latest.html?\\_r=0](http://www.nytimes.com/aponline/2015/07/07/world/europe/ap-eu-greece-bailout-the-latest.html?_r=0) (accessed 6 August 2015).
- 3 <https://www.foreignaffairs.com/articles/europe/2015-03-26/syriza-stumbles>.
- 4 This approach can be also used in order to analyze the behavior of other actors in Germany or Finland. However, in the Greek case it is particularly acute, and this is why I focus on it here.
- 5 If one believes Mr Varoufakis, there is a different explanation: 'Already, within hours, he had been pressured by major figures in the government, effectively to turn the no into a yes, to capitulate.', available at <http://yanisvaroufakis.eu/2015/08/03/9698/> (accessed 6 August 2015).
- 6 This means that everybody knows the event, everybody knows that everybody knows the event, everybody knows that everybody knows that everybody knows the event . . . and so on. It is a very restrictive assumption, useful to calculate equilibrium outcomes.
- 7 According to the Hellenic Constitution Article 54, paragraph 1: '1. The electoral system and constituencies are specified by statute which shall be applicable as of the elections after the immediately following ones, unless an explicit provision, adopted by a majority of two thirds of the total number of Members of Parliament, provides for its immediate application as of the immediately following elections', available at <http://www.hellenicparliament.gr/UserFiles/f3c70a23-7696-49db-9148-f24dce6a27c8/001-156%20aggliko.pdf> (accessed 6 August 2015).
- 8 ΕΘΝΟΣ On Line 09:43 13/8 Δραγασάκης: Πιστεύαμε πως αν απειλούσαμε με έξοδο, η ΕΕ θα τρώμαζε-Κάναμε λάθος, available at <http://www.ethnos.gr/article.asp?catid=22767&subid=2&pubid=64233300> (accessed 6 August 2015).

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