Policy Implementation and Political Trust: Greece in the age of austerity

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ABSTRACT

Why did the Greek Socialist government consistently fail to faithfully implement the bailout reforms between 2010 and 2011 despite strong international and European pressures? Building on the top-down implementation framework by Mazmanian and Sabatier, we argue political trust underpins the government's implementation track record. We use a simple game of insecure contracts to find lower levels of trust can exacerbate macroeconomic conditions creating a vicious cycle of non-cooperation and economic recession. Our findings have policy implications on administrative efforts to tackle the sovereign debt problem and offer amendments to theories of implementation and institutional rational choice. Implementation failure and responsibility drift may be explained by the (in) ability to generate long-term political trust in repeated iterations among implementation partners.

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1. Introduction

The Greek government has been repeatedly accused by its creditors of exacerbating the public debt crisis because of reluctance and inability to implement agreed upon austerity measures. Greeks have countered that targets were missed because the economic recession has proven deeper than anticipated (Kroustalli 2011a; Hope, Chaffin and Wilson 2011). We find both are wrong. Building on the implementation process framework by Daniel Mazmanian and Paul Sabatier (1989) we argue that because political trust underpins the government's poor implementation track record, lower levels of trust lower administrative capacity and widen problem intractability—creating a vicious cycle of non-cooperation and economic recession. We chose this framework because of its widespread use and because it fits best our case as a top-down implementation process. Trust is defined as faith or confidence in the state's 'propensity to keep its promises, to negotiate honestly, to show respect for other points of view, and to express some level of concern for the welfare of others' (Leach and Sabatier 2005, 492).

We acknowledge the fact that many measures included in the first and second rescue packages by the European Union (EU), the European Central Bank (ECB), and the International Monetary Fund (IMF) (the troika hereinafter) were demanded by non-Greek actors. The Greek government, in other words, has had to implement a program that is not entirely its own. Certain variables, such as economic growth, partly depend on the global economic environment. However, no matter the level of involvement of the Greek government in drafting these agreements, both bailout packages – the first and second Memorandums of Understanding (MoU) and their amendment, the Mid-Term Fiscal Strategy (MTFS) framework, were signed by the Greek government which undertook the sovereign responsibility to faithfully execute the provisions therein. We focus on the domestic dimensions of implementation not because we discount the importance of external factors but because we seek to gain analytical tractability on the domestic components of implementation.

There are of course a number of alternative explanations about the failure of the implementation process. There is a fundamental difference however, between the outcome and the initiative. While we accept that poor leadership, bad design of policy strategies, social resistance and internal party and government politics play a role in the outcome of the implementation process, it is political trust that is the underlying variable in explaining the presence of the above intervening variables within the implementation process outcomes. In other words, all starts from trust in the political ability of the government to track down problems and provide viable solutions that account for a positive overall welfare for stakeholders. Trust defines and affects the dissemination of strategy signals to social groups and other stakeholders (minimizing social resistance) and political partners (diminishing internal and external political opposition).

Implementation is defined as 'the carrying out of a basic policy decision, usually made in a statute but which can take the form of important executive orders or court decisions. Ideally, that decision identifies the problem(s) to be addressed, stipulates the objective(s) to be pursued, and in a variety of ways, 'structures' the implementation process' Mazmanian and Sabatier 1989, 20). It is a top-down framework that involves the execution of centrally designed policy decisions by national and sub-national agencies. This is important because it accurately describes the context of the Greek debt crisis. We note the framework's lack of attention to political trust. Using a simple game theoretic model we specify clarity, duration, and commitment as the building blocks of trust, linking the implementation variables of administrative capacity and problem tractability to success or failure.

The argument is tested in two areas: tax and duty collection, and the liberalization of closed-shop professions. The first is important from a macroeconomic point of view because it deals with the revenue side of the government deficit and exposes issues of mistrust in the handling of state revenues by the government, as well as highlights the accumulation of corrupt practices by state and non-state actors. We chose the liberalization of a 'closed-shop' profession—taxi licensing and operation—to capture the sectoral dimension of implementation. Here, we also qualify taxi owners as a social group that acts as a coterie capturing state agents in political games that can hinder the implementation of reform measures by bullying the state through 'strikes'.[1] At the same time it still remains one of the most heavily regulated transport areas. This case helps us understand a paradoxical notion of trust in the government to maintain the protection of electorally pivotal groups for mutual political gains. Both cases contain enough breadth and substantive difference to provide an overview of Greece's long-term structural inefficiencies that build on the lack of political trust in government action. We conclude with policy implications on administrative efforts to tackle the sovereign debt problem and offer amendments to theories of implementation and institutional rational choice. Implementation failure and responsibility drift may be explained by the (in)ability to generate in repeated iterations long-term high levels of political trust among implementation partners, the impact of which intensifies in times of austerity.

2. Political Trust and Policy Implementation

We conceptualize implementation as a negotiation game between the government, state agencies, and citizens. Austerity programs involve asymmetric negotiations between the deciding unit (the government), the means that execute decisions (state agencies), and target populations. They are asymmetric because information and compliance is imposed from the top (government). They are negotiations because they involve a series of decisions based on behavioral assumptions and results. If policy X does not yield Y results, then the government faces a dilemma; it can choose to alter the means of achieving results or it can

[1] It is interesting to observe that taxi drivers are usually owners of taxi cars who come together in associations in the form of cooperatives. In that case strikes aim not at workers (the owner is the worker) but at pressuring the government or the public at large.

simply take additional measures to ensure success. In periods of austerity, vulnerable populations, i.e., those with fewer resources or incomes are likely to reason that others have unfair advantages largely because of power differentials. As Schneider and Ingram (1993, 337) argue, target populations are socially constructed implying that disadvantaged groups share disproportionately more of the burdens while advantaged groups (in terms of income or access to power) get a disproportionate share of the benefits. When the pie shrinks, society is viewed 'as a zero-sum game between conflicting groups' (Rothstein and Uslaner 2005, 46). Policy-making becomes adversarial and implementation breaks down because parties find little reason to cooperate. Political trust facilitates cooperation between deciders, means, and targets, making implementation success more likely.[2]

When we refer to trust, we include incentives alongside moral commitment and character (e.g., Kurzban 2003). Trust—seen as encapsulating interests (Hardin 2006, 19) between state and society—is important as it describes a two-way process of an ongoing relationship between the government and the citizen underpinned through a framework of establishing reputations over longer periods of time. Experience in Southern Europe through Eurobarometer data on institutional trust shows an overall decline of this relationship of encapsulated interests, for all aspects of political system, be they executive, legislative or judiciary (Table 1). It is interesting to observe that political trust all together diminishes in Greece for government and is (practically) non-existent for political parties in the height of the crisis

[2] This is not to say that cooperation cannot be achieved without trust (e.g., Cook, Hardin and Levi 2005) but rather trust lubricates cooperation.

in 2010. At the same time, Parliament retains some its trust by the citizens. This can be explained by the fact that many parliamentarians chose to cross party lines and 'rebel' against the proposed austerity measures. As for the courts, the exposed failure to implement the law or hold political figures accountable and responsible for the country's predicament can be the reason behind the drop in trust.

TABLE 1: Trust in political institutions in Southern Europe

(% a lot or some trust)	Government		Parties		Parliament		Courts	
	2003	2010	2003	2010	2003	2010	2003	2010
Greece	55	*21*	28	*5*	63	*47*	73	*41*
Italy	26	*23*	13	**16**	32	*26*	46	*42*
Portugal	34	*19*	16	*14*	37	*27*	36	*28*
Spain	42	*21*	27	*11*	42	*22*	47	*44*

Source: Eurobarometer, 2003; 2010

Note: *Italic* figures show decline, **bold** figures show a rise in trust.

3. Implementation

To say trust is an important catalyst for action in a multitude of policy contexts is not novel (e.g., Hardin 2006). Our contribution lies in specifying the way it affects the implementation process. We strengthen Rothstein's (1998, 100) argument that '[w]ithout citizens' trust in the institutions responsible for implementing public policies, implementation is likely to fail' by showing how (mis)trust can weaken the effects between variables. The key is not simply to restructure the relationship between partially autonomous producers and citizens, as Rothstein (1998, 115) concludes, but for political leadership to build credible commitments prior to the start of implementation. We first discuss implementation and then analyze how trust affects the process.

Mazmanian and Sabatier (1989, 41) develop a framework which identifies the crucial conditions for implementation success, that is, whether 'a statute or other policy decision seeking a substantial departure from the status quo is most likely to achieve its desired goals.' To maintain analytical tractability we look only at two of the relationships they specify. They argue lower administrative capacity and higher problem intractability decrease implementation success. We first discuss those relationships and later argue that political trust underpins them: lower trust diminishes administrative capacity and problem tractability accelerating the downward spiral of implementation failure. Our argument implies diminishing returns in the presence of lower trust. Considering the counterfactual, the argument is not confirmed if empirical evidence is uncovered that shows additional resources or technical expertise increase rather than decrease the likelihood of implementation success.

Implementation success is operationalized as meeting targets outlined in the MoUs and the MTFS. Trust is measured by way of two indicators: public pronouncements and acts of civil disobedience or vandalism. Major structural reforms and a deepening recession indicate widening problem intractability. More financial resources and skilled human capital indicate higher administrative capacity.

3.1 Problem Tractability

This concept refers to problem definition, specification of valid theory and target groups, and identification of departure from the status quo. The greater the distance between the status quo and the desired policy, the more intractable the problem will be. Depending on positive or negative feedback, a major change can potentially stir considerable political conflict as affected groups oppose action that will lower or eliminate their benefits. It may also upset the balance of interests within the policy sector by relegating dominant groups to the position of minority. The greater the number and diversity of affected groups, the more generalized conflict and the stronger the political opposition to implementation will be.

Besides, policy problems that are novel or highly complex require significant administrative expertise and political capital to tackle effectively. In essence, this means novel problems necessitate a long search for viable solutions, the invention of a new and untested theory, or symbolic politics. The latter refers to the need for politicians to seem as if they are addressing a problem, which in reality they neither understand nor intend to solve. They merely activate dimensions of the problem constructing a moving policy image, which they then proceed to attach to a pre-fabricated solution (Zahariadis 2003; Edelman 1988). Privatization and market liberalization are some of those policies used to address a multitude of very difficult public problems, such as the public debt, company finances, economic efficiency, popular capitalism, or union militancy.

Tractability affects macroeconomic conditions, such as economic growth, government budget deficits, or unemployment, which in turn may limit implementation success. This is especially true of austerity measures because they may potentially limit the resources available to execute the policy or provide incentives for agencies and target populations to deviate from their estimated behavior. In that case, targets are missed and implementation fails.

3.2 Administrative Capacity

It refers to mustering adequate financial and human resources to carry out the policy and, planning and steering the process. Carrying out a decision that contains pre-specified target outcomes is administratively complex because it requires careful planning and the right time horizon. Policy-makers have to carefully identify who does what and when in order to avoid delays and ensure efficiency and effectiveness. They also need to set up conflict mediation procedures, administrative enforcement mechanisms that clarify objectives and consequences in cases of deviation. Higher administrative capacity increases the chances of implementation success. For example, the abundance of administrative resources and human capital maximizes tax revenue flows even when no new taxes are imposed. This is because tax collection is more accurately monitored and public authorities may intervene at opportune times to minimize losses and maximize the willingness of tax dodgers to cooperate.

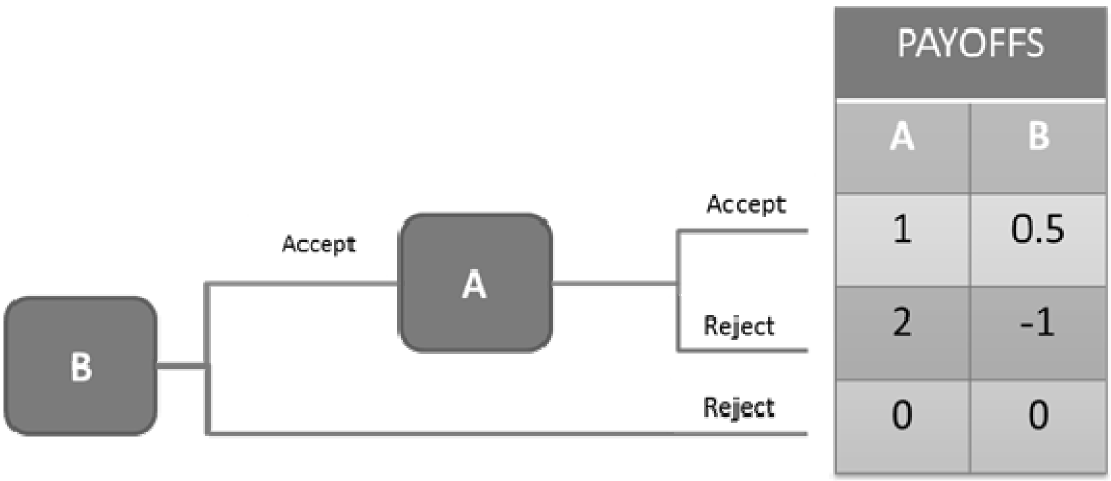
We conceptualize implementation as taking place in several iterations. Feedback from success (or failure) leads to more measures and possibly a reinterpretation of the problem and its tractability. Effects from this iteration are then interpreted by policy makers who decide whether to continue or change the course.

4. Effects of Trust

While Leach and Sabatier (2005) discuss trust in a policy-making context as placing confidence in specific individuals, we interpret it more broadly to incorporate confidence across organized groups or institutions. What conditions build greater political trust in implementation and how does trust affect implementation success? In situations where the stakes are high, clear, and substantial, self-interest is likely to dominate the process of building trust (Chong, Citrin and Conley 2001; Leach and Sabatier 2005). In such situations, institutional rational choice theory predicts that trust will rise with increasing stability of relationships, repeated interactions (Ostrom and Walker 2003; Raiffa with Richardson and Metcalfe 2002), and clear decision and enforcement rules to minimize defections (Ostrom 1990).

Institutional rational choice assumes a utility-maximizer whose willingness to make optimal choices is impeded largely by imperfect information. The question is whether to trust the other parties' propensity to keep their promises or ultimately defect. Trust is likely to be higher based on information about past behavior and signals and rules about incentives for adversaries to keep their promises. Imagine a situation where adversaries have to carry out a decision whose negative consequences will be felt by both. Party A makes a painful decision and it demands party B to implement it. If party B refuses, party A can impose sanctions that incur significant costs evenly felt by both A and B. If party B accepts, party A has two choices. It may accept the payoff even if the decision is implemented poorly, implying fewer benefits than envisaged distributed unevenly in favor of party A. Or A may reject the payoff and impose sanctions that disproportionately increase cost to party B and unilaterally provide benefits to party A. Both parties are concerned solely with maximizing payoffs for themselves. It is a game of insecure contracts, having the features of prisoner’s dilemma (Raiffa with Richardson and Metcalfe 2002). Figure 1 depicts the game and its payoffs.

FIGURE 1: Game depicting insecure contract



The problem in this case is that neither party has incentives to trust the other although payoffs depend on the other’s action. Because A can impose sanctions in every case, it can be assured of incurring higher relative payoffs. However, B has leverage because it alone determines the magnitude of payoffs. When B does not know the magnitude of payoffs A wants, it has incentives not to cooperate. If it implements the decision but A does not accept the payoff, B stands to lose more than it would have if it said no in the first place. A has every incentive to convince B to implement the decision and then impose sanctions in the hope of getting a higher payoff. A has an incentive to cheat to maximize payoffs and B has an incentive to refuse implementation to minimize cost.

There are three mechanisms to build trust in order to increase administrative capacity and problem tractability. The first increases information so that B knows clearly the goals of A. In implementation terms, policy objectives must be clear in order for B to know what A wants. When objectives are unclear or inconsistent, state agencies and target populations do not know what policy makers want; trust suffers and performance deteriorates in subsequent iterations. What is the point of trying to do something at heavy financial or human cost if policy makers will subsequently disregard or ignore one's efforts? The closer the outcome comes to the targets set by A, the higher the credibility that A will not defect. But in the absence of targets credibility suffers and so does trust.

Clarity is of great importance when considering administrative capacity. The ability to execute tasks depends partly on the willingness of agents to follow directions and apply rules as fairly and equitably as the law provides. To attain and demonstrate moral character in implementing decisions, agents must not only display the capacity to understand how these issues play out in the public sector, but they must also engage in cost/benefit analyses to comprehend the impact on their agencies and citizens (Denhardt 2002, 73). Lack of trust weakens the effects of administrative capacity because it pushes and pulls it in two opposing directions. It lowers willingness to act while increasing political conflict within the administration. The lack of clear guidance from central authority gives discretion to implementing agents to frame issues the way they see fit. The problem is the same element that empowers agents also paralyzes them because it pinpoints responsibility. In the presence of ambiguous rules, political responsibility for adverse effects is shifted to agents. If the rules call for politically painful measures or self-inflicting wounds, such as significantly higher taxes or substantial cuts to civil servant wages, agents have no incentive to act. In fact, they will avoid implementing rules unless policy makers clearly undertake responsibility for the aftermath.

Second, compliance is critical. More information may not be enough because B does not necessarily trust A will do what it says when the time comes to act. There need to be decision and enforcement rules that are shared by both parties. Trust, in other words, increases when both parties participate in developing rules that bind parties to the same process. This is particularly important for B because it needs assurances that A will accept implementation of the decision. The more the two parties participate in this decision and enforcement process, the higher the credible commitment, and the more the consequent trust. When political leaders announce one set of rules but they don't enforce compliance, they send a signal to agencies and target populations that symbolic politics is at play. Problems become more intractable. What happens, for example, when targets are not met or state agencies refuse to execute decisions? If corrective action is not immediately announced, the message is that leadership considers deviations to be normal if not desirable. This effectively brings the process to a halt, undermining implementation, as target populations and state agencies wait for signals in terms of enforcement rules to indicate the actual direction of policy change.

As a result, administrative capacity is reduced while problem intractability rises, creating a vicious cycle of perceptions of increasing corruption (bribery and other forms of dishonest behavior). The latter is more likely to happen because it increases ignorance and resentment among target populations and agents. Ignorance stems from the belief that those in government are not listening. Resentment stems from perceptions that policy makers are not responsive to people's needs and allowing to act with impunity (Denhardt 2002, 73). Both create a cycle of corruption, lowering administrative performance and magnifying social and economic problems (Rose-Ackerman 1999). According to Miller and Listhaug (1999), corruption, and more importantly *perceptions of corruption*, undermine trust in institutional effectiveness and fairness, which serve as support indicators for the political system. Implementation failure then feeds back to lack of trust, as citizens look for individual solutions to problems increasing the likelihood and expectation of bribes (Della Porta and Vanucci 1999). Such expectations increase perceptions of corruption causing trust to plunge. Lower levels of trust exacerbate problem intractability and lower administrative capacity, raising the possibility of more failure and closing the loop.

A pattern of stable relationships reduces each party's discount rate. As Leach and Sabatier (2005, 492) forcefully argue 'people who plan to exit a policy arena in the near future have less incentive to invest in building constructive working relationships'. B is more willing to incur the immediate cost of implementation in order to secure the higher delayed benefits of collaboration (Ostrom 1990, 35). Stability implies low reputational cost in the sense that participants to implementation know the capability and quality of the relevant policy maker. Because they have dealt with him/her before, they understand the skills and limits of political leadership. The point is that in the presence of highly fluid participation, i.e. policy makers constantly move in and out of decision arenas, and abundant change, i.e. laws constantly change as policy makers change, implementation will likely come to a halt. Reputational costs and political conflict increase because of the expectation that if laws have adverse consequences, wait them out and the next government official will change them.

Third, trust ought to increase with repeated interactions over time. Experiments show that repeated communication builds reciprocity and trust (Ostrom and Walker 2003). If the game is repeated over time, A knows that B will refuse implementation if A rejects B's efforts. Reputational benefits from repeated interactions are very important because adversaries learn from past behavior. We trust people who have previously behaved in a trustworthy manner (Hardin 2001). Political trust should increase when parties demonstrate a propensity to honor commitments and work diligently to reach compromises that take into account the welfare of their adversaries. Past behavior in other words is an important signal of commitment to future repercussions in cases of implementation failure. This is especially true in cases where the magnitude of policy change, i.e. problem tractability, is significant. The greater the size of change, the more important trust becomes in implementation and the higher the costs will be if trust does not underpin the implementation process.

It is important to note that trust can be built only if the implementation game is played sequentially. Assume for a moment that the two players make their moves simultaneously. B's move resembles the game 'rock-paper-scissors'. B tries to guess what A will do. Some policy learning takes place if B can discern a pattern after a number of iterations. For example, B can learn to guess correctly if it figures A will accept twice after, say, seven rejections. But such learning does not involve trust; it merely reflects pattern recognition that still gives A the incentive to cheat. The implication is that when political leaders try to do many things simultaneously they do not send clear enough signals to gain trust. In such cases, a vicious cycle is likely to emerge where implementation failures lead to further unclear policies, which in turn lead to more failures closing the downward spiral. Distrust develops among participants, reducing the likelihood of cooperation and raising distrust and policy failure (Putnam 2000).

5. Anatomy of Failure

Why has the implementation of Greek austerity measures not produced the expected results? Our dependent variable refers to targets contained in austerity measures announced between 2010 and 2011. The Greek government had failed to meet them at every turn. We utilize archival material and media reports to explain why in two policy areas: tax and duty collection ('We won't pay' movement), and the liberalization of taxi licenses (seen as one of the most persisting ringfenced professional groups). Both cases offer useful insights to examine the impact of the lack of trust between the various social groups and the implementation of certain austerity measures. Tax collection and rigidities in the operation rules of a free market have been identified by the Troika as two of the most significant contributing factors to the sovereign debt crisis and the recession depth in Greece. The common thread is that contrary to our modeling expectations, despite the constant negotiations between social groups and the government, the levels of trust seem to decrease as political agents are captured by the social and professional coteries, and government actors keep changing the rules of the game (i.e. low problem tractability). Corruption as a starting point, we find, leads to less trust over time, increasing the likelihood of failure (Lambsdorff 2007).

5.1 'We won't pay' movement

Greece has a long history of tax-evasion through unregistered professional activities, general non-compliance to tax-collecting mechanisms and a widespread shadow economy (Matsaganis and Flevotomou 2010). This problem has been at the heart of sluggish direct revenue growth in Greece, requiring the increase of tax rates and other one-off taxation measures. The troika-sponsored Task Force for Greece argued that the collection-pending tax revenues amount to €60 billion, with the collection of about half of this amount having stalled through court processes in the last ten years (Task Force Greece 2011, 15). The Task Force recognized signs of success by the Greek government in tackling tax-dodging; however, there has been lack of target-setting for the tax control of tax-evading suspects and the development of closer monitoring systems for those at the highest income ranges (Task Force Greece 2011, 17). This issue affecting the direct revenues of the state is far too complicated to address in the content of this paper and for the sake of the argument of political trust. Hence, we focus here on the ability of the government to collect taxes and increase revenues by examining a small scale social movement called “We won’t pay” that developed as a way to express dissatisfaction and mistrust in the handling of tax revenues to increase the quality of public services.[3]

In its first expression as a social activism group in October 2008, members of the movement occupied the toll booths on the Corinth-Patrai motorway allowing free access to passing drivers. The claim of the group was that since the motorway was incomplete and still dangerous to its users the state had no right to impose tolls on users or to outsource the motorway maintenance to private companies (*Ta Nea* 16/10/2008). Revenue, it was asserted, was not fed back into the maintenance and reconstruction of the highways system but was turned into direct profit for the construction companies.

The group identified itself as a ‘grass-roots’ movement where any action, targets and strategies are a result of collective deliberation in open citizen meetings, without any political affiliation. In light of the crisis they did not accept any new taxing burdens since citizens have already paid for this infrastructure through regular taxation. Any renting out of motorways to private companies was considered by them to be a selling-

[3] The movement’s full title is “We won’t pay! We won’t pay!” and for purposes of parsimony we are using the phrase once. The name is inspired by Dario Fo’s famous 1974 theatrical farce ‘Non si paga! Non si paga’ where buyers in a supermarket were paying only what they could afford to pay.

out of public property ('We Won't Pay' 2011). During the vast protests in Athens in May-June 2011, the 'We Won't Pay' movement transformed into a wider national movement against the selling out of social goods to private companies. In their 3rd General Conference during the protests, the movement confirmed five more principles of action, arguing that 'social goods should be free for all; we will not pay for *their* crisis; we will not pay for *their* debts; we do not recognize *their* authority mechanisms; we are struggling to topple *them*' ('We Won't Pay' 2011). These kinds of statements reveal polarization and a sharp distinction between the affected and the elites that absolves the former from any kind of social responsibility for the situation. It also highlights the lack of trust between the state and society to provide for basic social goods or to engage in social redistribution.

At the peak of instability in 2011, the movement expanded to cover a number of other areas where it felt social goods were inadequately provided by the state. In January 2011, members of the movement encouraged passengers of the public transport system of Athens not to pay their fares, symbolically occupying buses and blocking ticket validation machines. This kind of action was a strong blow to the public transportation companies which were already highly loss making entities and whose debts were undertaken by the state (Ministry of Finance 2011).[4] The companies themselves face a big problem with non-paying passengers, which the government had promised to tackle by creating a denser network of ticket conductors or through electronic tickets.

[4] According to the Ministry of Finance report above, the accumulated deficit of the Athens metro-area transport authority was €3 billion, whereas the losses incurred in between the first quarter of 2010 and the first quarter of 2011 were in the range of €365 million.

Problem tractability worsened and implementation of corrective measures simply failed. The measure was announced four times in the past five years but never implemented (*Kathimerini* 21/01/2011), increasing mistrust in the government's ability to track the problem.

In order to offset the movement, the government announced fines of €200 for the toll fare evasion, and elevated the offence of fare-dodging on public transport to a misdemeanor; according to the Minister of Infrastructure at the time, Dimitris Reppas, 'it is of utmost importance to depreciate the social perception of dodging the fares and the ad-hoc political destruction that some present as progressive thinking' (*Kathimerini* 06/02/2011). While practices of civil disobedience spread to other social groups—e.g. farmers opening up toll booth barriers on the motorways, citizens refusing to pay the supplementary housing tax, and restaurant owners declining to pay up the increased Value Added Tax of 23% on their businesses —the government started moving toward a new form of toll implementation that would first, reduce the fare substantially for the parts that remain under construction; second, grant ease of access for the local communities; and third, introduce lower fares for frequent users (*Proto Thema* 12/02/2011). Government quarters perceived the spread of "We won't pay" as an offence which lowered the effectiveness of the revenue-raising mechanisms of the state thus lowering administrative capacity (Secretary General of the tax information systems of the Ministry of Finance, Dimitris Spinellis: statement on SKAI television 31/08/2011).

However, the real story behind non-compliance and implementation failure in this case is not simple civil disobedience or anger against the state. Despite presenting itself as an independent grass-roots movement, “We Won’t Pay” has been entangled in political exchanges between the Radical Left (SYRIZA)[5] and the Socialist government; the latter arguing that it is the Radical Left that fuels the ‘ideological’ constructs of the movement. This is not unfounded criticism. The discourse used by the movement reflects the statements of the Radical Left in the parliament. The leader of SYRIZA’s parliamentary group, Alexis Tsipras, had repeatedly called for all progressive forces against the MoU to take the first important step ‘and disobey paying this despicable taxation’ through a ‘civil suspension of all payments’ to the state (*To Vima* 25/09/2011). This kind of coincidental (or not) alignment of the movement with political forces had led the government to mistrust the demands of such movements, arguing that they were driven by hidden agendas and lead to further sentiments of political mistrust by the society at large (Kroustalli 2011b). The ad-hoc legitimization of such practices creates an overall climate of suspicion between social groups and the government that leads to the repudiation of the political system and effectively to further non-compliance and implementation failure, as well as ‘spiral of cynicism and disillusionment’ (Capella and Jamieson 1997; Patterson 1993) as the state struggles to regain the trust of its citizens, but also the trust in and of its street-level bureaucrats.

5.2 Of taxi owners and drivers

The second case concerns the so-called closed-shop professions. The issue of liberalizing closed-shop professions in Greece is a long-standing obstacle to reform; in fact, there are plenty of legal acts that legitimize

[5] From now on referred to by its Greek acronym SYRIZA or “Coalition of the Radical Left”

anti-competitive regulations for specific professional groups who provide public services (Featherstone 2011), such as lawyers, medical professionals, notary publics, and even owners of public-utility trucks and taxi-license holders. The conundrum with taxi-license holders is the special regime that governs their market. The 28,000 license-holders can be either self-employed or can hire drivers to operate the taxis, and can collectivize their individual enterprises through 'taxi associations'. Liberalizing taxi services and licenses is not a new problem for the Greek government. Previous administrations by different political parties have repeatedly tried to open-up some closed-shop professions, pressured by EU directives. Although at the end of 2000 the government wanted to suspend liberalization plans because of conflict with affected professional groups, EU pressures forced the Ministry of Transport by January 2001 to present a first roadmap to liberalize taxi services in three main stages: (a) recalling illegal licenses; (b) organizing private taxis and taxi company statutes; and (c) establishing a system of overseeing and regulating the taxi services market (*in.gr* 15/01/2001). In coordination with the Centre for Planning and Economic Studies (KEPE), the government argued that opening up some closed-shop professions would increase the Greek economy growth rates by 0.8-1.6% (*in.gr* 22/02/2001). The KEPE report argued there was a need to radically reform the current regime of licensing and upgrade the mechanisms that guarantee healthy competition for taxi services. Nonetheless, the government succumbed to pressures from these professional coteries and withdrew the measures, sending one more signal to stakeholders to expect administrative inertness.

Since 2010, there has been some progress under pressure by the Troika. The Ministry of Finance in December 2010 brought a proposed bill before the Economic Affairs Committee of the Greek Parliament to open up about 150 closed-shop professions, including amongst others: bakers, real estate agents, taxi owners, bus owners, tour guides, insurance brokers, hairdressers, dental technicians, farmers' market venders, and newspaper distributors. According to a report by the Foundation for Economic and Industrial Research (IOBE), the broad liberalization of closed-shop professions and services would lead in the medium-term to a GDP increase of 13.5% or about €30 billion and a decrease of prices (IOBE 2010). At the end, the proposed list included at least 340 professions that were protected in one way or another (*Eleftherotypia* 11/02/2011).

The proposed bill was opened to public consultation in July 2011 and included the liberalization of taxi licenses. It was received in a positive way by the Confederation of Transport Unions (OSME), which added that 'benefits and distortions are eliminated releasing productive forces, creating new jobs, offering a halt to the rising unemployment, but also an upgraded level of services to the citizens' (OSME 2011). In addition to OSME, taxi-*drivers* (employees for taxi-owners) were also in favor: their union president argued that the liberalization of taxi licenses would bring prices down by 20% and would eliminate bad practices on behalf of employers who kept 85% of the drivers under unregistered employment status (Vima 99.5 Radio Station 07/07/2011). However, the association of taxi-*owners* was firmly opposed to the bill. This became the root of the long-standing strikes of taxi-owners that raised political conflict across social groups and political parties. During the strikes in

2011, parties across the political spectrum accused each other of instigating the strikes. Focus turned on the main opposition party, New Democracy, because the taxi-owners association leader, Mr. Thymios Lymberopoulos, was a member of the party's political committee and associated to their shadow transport minister. In fact, plenty of New Democracy party members and parliamentarians were quick to support the strikes in public and even participate in union events (*in.gr* 19/07/2011). The strike took place during the height of the tourist period and affected the industry through blockades of sights, hotels, airports and ports as well as major motorways by taxi owners. The protracted strike shattered trust and social solidarity, raising problem intractability and lowering administrative capacity. Many airlines, the Federation of Exporters of Northern Greece and the Association of Greek Tourism Businesses filed lawsuits against the taxi-owners associations (*in.gr* 21/07/2011).

These developments intensified the political debate between the PASOK government and New Democracy, who blamed each other for the situation. Prime Minister Papandreou, accused the New Democracy leader and later prime minister, Mr. Antonis Samaras, of fuelling the taxi-strikes due to his links with their union president; called for taxi-owners to demonstrate responsibility in a time of crisis; consider the damage to the international image of the country during the tourist season; and participate in a fruitful dialogue instead of engendering polarization across social groups (*in.gr* 29/07/2011). The taxi-owners association responded by questioning the constitutional legitimacy of the proposed legislation. The Council of State ruled in favor of the government arguing that, according to Art. 5 of the Greek Constitution, freedom of profession (free choice and exercise of a professional activity) is a constitutional right. It thus paved the way for opening up even more closed-shop professions, as an unintended consequence.

This was in fact the very first strong blow to professional coteries that are heavily responsible for the rigidities of the private sector labor market in Greece. Then Minister of Transport, Mr. Giannis Ragkousis, stated early in September 2011 that the public good is above coterie interests adding that the government was 'determined not to succumb to pressures by any coterie 'spoiled' by the heavy involvement of the party system in union politics, be it of the left or of the right side of the spectrum' (*To Vima tis Kyriakis* 4/9/2011). The newly revised MoU obliged the Greek government to implement the liberalization of closed-shop professions by spring 2012 (*Ta Nea* 14/11/2011). Lack of trust in the ability of the state to address transport problems increased problem intractability. As a result, the capacity of the government to fully implement the law was suspended pending judicial review. However, Greece's sovereign crisis does not afford the luxury of time, testing both the patience of Greece's creditors and citizen good will.

The case study reinforces our argument about trust. Marred by the lack of clear messages and determination on behalf of the government to liberalize certain closed-shop professions, the stakeholders were faced with uncertainty and unpredictability of governmental plans, increasing the levels of mistrust in the state's capacity to provide solutions. Being able to manipulate the electoral cycles, professional coteries were able to force the government to abandon plans plenty of times before or create incomplete pieces of legislation that widened problem intractability. Lack of communication between the involved parties, negligence of social responsibility, as well as the capturing of political parties by specific unions (governing or opposition) proved in this case detrimental to the creation of reciprocity and trust about the government's intentions and accentuated paradoxically a certain type of adverse trust in maintaining the status quo.

6. Findings and Concluding Remarks

Trust is a crucial building block of implementation because it allows the creation of bonds between the central authorities, various agents and target populations. The creation of such bonds is a process that can only take place in sequential rather than simultaneous fashion. Mazmanian and Sabatier's (1989) top-down framework showed promise in identifying key variables of success, but it did not specify the conditions that enabled interactions between the variables to produce success (or failure). We argued that trust (or lack thereof) helps fill this gap. We identified trust between the government, its agencies and target populations as the element to increase administrative capacity and problem tractability. Certainly the enormity of proposed changes has elevated the difficulty of implementation but the unwillingness or inability of government to frame the issues in ways that generate trust lessened its ability to convince target populations that reforms would pay off. Indeed, it was obvious from the start that the Socialist government would choose the path of least resistance, just like many other administrations did before it. While minimizing political cost is understandable from a political point of view, the severity of the situation and the government’s own rhetoric revealed a level of hypocrisy that was bound to lead to failure. The implication is that despite obstacles, success in implementation depends largely (though not exclusively) on the ability of politicians to generate trust by living up to the political consequences of their actions.

The wider underlying debate concerns the width of implementation ‘gap’ (Hogwood and Gunn 1984, 197) due to unrealistic expectations by participants in the process (Cairney 2009, 354). The prolonged tax-evasion practices (illuminated by the ‘We won’t pay’ movement) reveal that even if there is an administration that has the will to promote certain reforms it can stumble upon lack of compliance by consumers. Hence the state may actually be unable to collect the necessary revenue to proceed with reforms, lowering its administrative capacity for their implementation. At the same time, there was an expectation that a rent-seeking, vote-maximizing government would protect the previous benefits and the favorable market distortions for professional guilds, such as taxi owners. These stakeholders in turn acted as coteries by manipulating the political system, creating an environment which favored protection in many policy areas. The case studies show that even in times of extreme austerity, the norms of protecting ‘special’ or electorally pivotal social and professional groups persist and are well embedded into the political system.

We amend the literature on administrative reforms (e.g, Spanou 2008; Ongaro 2010) by demonstrating they are not simply a matter of political will but of political trust. On the one hand, the government failed repeatedly to fulfill its promises, become an honest broker among negotiating parties, and synthesize different points of view in promoting the common interest. On the other, there was a long-term structural relationship between political corruption and implementation, which involved the absence of a sense of obligation towards the state and the common good. This gap that can be bridged by infusing trust among agents becomes more important than honesty as such, bringing us back to an argument by Erik Uslaner (2004, 89-90). Trust cannot be increased by simply doing away with dishonest leaders or bureaucracies and replacing them with a new set of people. Only a change of cultural paradigms that embed notions of trust within the implementation processes can do so. Otherwise even if society becomes less corrupt it does not necessarily mean that it become more trusting (Uslaner 2004, 76). Undoubtedly, this is not a short-term policy implication but it involves enduring commitments and efforts that are not easy in periods of austerity and social crisis.

Contrary to conventional wisdom (Ostrom and Walker 2003), we find repeated interactions paradoxically decreased rather than increased trust. In the case of Greece, the iterations of the game were not identical: there was a constellation of new parameters opening up windows of political opportunity to corruption and manipulation. It is in fact crucial to appreciate the role these two elements played in the process: repeated interactions led to expectations of corrupt or favorable policies for the few. They could not be fulfilled under austerity because they ran contrary to agreed upon policies and targets set by international agents. Ministers and civil servants sought to undermine their own policies in order to regain their corrupt past practices. Undermining the policies from within led to policy failure, which in turn led to a constant redefinition of the problem and the set goals. Over several iterations political opposition grows, intensifying what Rothstein (1998) calls responsibility drift. Responsibility for the painful consequences drifted upwards over time as civil servants, and then ministers, sought to deflect criticism over outcomes. Eventually, criticism reached external agents, leading to both governmental and opposition members of parliament blaming the troika for imposing unreasonable demands, ministers blaming the economic recession, and the troika blaming the timidity of the government. The key to Greece's redemption is not so much the size of the bailout packages but rather the ability of the Greek government and its EU partners to make higher levels of trust among social partners and the government the first step in a long and arduous implementation process.

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