

Clientelism and corruption: institutional adaptation of state capture strategies in view of resource scarcity in Greece*

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Abstract

How do strategies of state capture adapt to tight fiscal conditions? The paper uses a historical institutionalist approach and content analysis to study the case of Greece. Three theoretically-relevant patterns of institutional adaptation are unearthed: first, limited resources for state capture do indeed trigger self-limitation initiatives as expected, but these initiatives replace costly benefits with less costly ones. Second, different forms of capture have different implications for the terms of political competition. Third, there is a mutually reinforcing relationship between clientelism

and corruption, which becomes pronounced in the creative ways by which strategies of capture adjust to shifting opportunities and constraints. Clients are appointed in state offices and extract bribes directly from citizens. ‘Client corruption’ replaces extraction *from* the state with extraction *through* the state, which is less costly for the public finances: the benefit the governing party gives to its clients is the ‘right’ to extract rents for themselves.

Introduction

State capture describes the collusion practices by which actors use state power to extract personal benefits. These practices have a considerable cost for public finances and the economy. In devising strategies for capture, political actors face the problem of resource scarcity and, as state capture expands, they sooner or later confront fiscal limitations. How these limitations affect state capture is a particularly interesting question to explore, because economic and financial constraints place political actors in an unfortunate situation: they continue to gain from engaging in state capture but their fiscal capacity to do so is diminishing. The literature has addressed this research question as an instance in which politicians must limit the costly aspects of state capture and will, consequently, face serious consequences for their political future, which they should tackle as part of their electoral strategies. This paper views this situation differently, as the moment in which political actors will try to aptly adapt their strategies of state capture in view of new structural constraints and opportunities in order to keep benefiting from this practice. The specific challenge they now face is how to re-align the benefits they extract with the fiscal cost in a way that revamps the system of state capture.

We set out to explore these distinct patterns of adaption at times of fiscal strain. We focus on Greece during the 1990s and 2000s, using a historical institutionalist approach combined with computer-assisted content analysis. Together, they reveal a shift in strategies of capture that coincides with the period in which the country was facing deteriorating economic and fiscal conditions and had committed itself to a fiscal consolidation programme under tight surveillance by the European Union. This period constituted a critical juncture for the reproduction of Greece's clientelist system.¹ Periods dotted with fiscal and institutional pressures for fiscal consolidation, such as this, can be disruptive for a system of state capture which depends on fiscal resources and fiscal autonomy. The adaptive responses we observe during that period reveal patterns of 'gradual institutional change' that are, however, of great significance in their own right for the study of state capture (Cf. Mahoney and Thelen 2010, p.3).

The study of the Greek case illustrates that the interplay between state capture and resource availability exhibits nuanced dynamics. A number of propositions are being explored about how forms of state capture can be reshaped. Political actors have great leeway in adjusting a system of state capture in conditions of fiscal stress: a) they can take self-limitation initiatives, b) they can resort to cheaper resources for distribution, c) they can search for new resources for extraction and, quite importantly, d) they can replace extraction *from* the state - the distribution of state-owned resources, which is fiscally costly - with extraction *through* the state - the extraction of benefits from the private economy by state actors who exploit the regulatory monopoly of the state for personal gain.

The way political elites try to meet the demands of their clients and partially overcome the fiscal limits to benefit extraction suggests that the conceptual boundaries between clientelism and corruption are porous. The benefits distributed by means of clientelism are not confined solely to benefits that require prior resource extraction by the state, such as jobs, goods and services paid by tax revenue or public borrowing. Instead, clientelism intersects with corruption when patrons offer their clients the capacity to extract benefits for themselves directly from the private sector in forms typically referred to as administrative or bureaucratic corruption. The benefit which the patrons give to their clients is simply the ‘right’ to extract rents for themselves thanks to a complicated legal framework and political patronage. In this way, clientelism ‘outsources’ itself and passes its cost on the private economy.

Forms of state capture and their interplay

State capture occurs when political, economic or social groups conspire to gain access to the distributional and regulatory powers of the state with the explicit aim to extract selective (personal) benefits. State capture involves collusion for the extraction of these benefits and thus covers a subset of the distributional and rent-seeking practices that we observe in political systems. This definition excludes instances of government distribution and regulation that are driven by electoral, ideological, technocratic or programmatic considerations.² State capture takes several forms. It involves practices typically referred to as corruption, which break the law or breach public expectations for transparency. These include cases of *political corruption* - either the direct expropriation of state resources by politicians or the payment of bribes by economic actors to politicians for access to resources and preferential treatment (Cf. Shleiffer and Vishny,

1993; Grzymala-Busse 2008, 640; Hellman and Kauffman, 2001). They also include cases of *administrative or bureaucratic corruption* whereby state officials and public servants unlawfully expropriate resources from the state or take bribes from people involved in transactions with state authority (Tanzi 1994; Golden 2003). In addition, state capture covers collusion in *rent-seeking exchanges* (Stigler, 1971; Buchanan, Tollison and Tullock, 1980; Becker, 1983 and 1985; Tullock, 1993 and 2005) even in cases in which the distribution of special benefits (rents) to rent-seeking actors is not typically considered as ‘corrupt’ – in the sense that it does not involve the direct and conditional payment of unlawful bribes by the beneficiaries - but there is some other form of reciprocation that has been agreed upon, for instance, when rent-seeking actors make campaign contributions in return for a favour. These practices constitute ‘sales’ of state-administered benefits by politicians or state officials to economic and social actors. Finally, state capture covers *clientelism*: the distribution of resources and other benefits by politicians and political parties - the patrons - to citizens - their clients - on the explicit condition that the clients will reciprocate by offering long-lasting political support and loyalty (Weingrod, 1968; Lemarchand and Legg, 1972, 150; Scott, 1972:92, Landé, 1997; Piattoni, 2001; Robinson and Verdier, 2002; Stokes, 2007, 605; Hilgers 2010, 568).

The nature of the relations that develop between actors involved in state capture varies. The bargaining position of a single client against the patron and the patron’s party organization is discernibly weak. Bribes which economic actors pay to politicians or state officials reflect power asymmetries in their relationship. However, large campaign contributions, large money transfers and media power can restore or even reverse the balance between economic and political power. Practices and strategies of state capture can exhibit nuanced characteristics which research can

discern by studying the patterns of relations and interactions that unfold in case-studies (Sartori 1970, 1034; Lane 2016). These observations may show that there is a degree of hybridity regarding the properties attributed to corruption and clientelism, which must be further theorized.

State capture is associated with the way in which political competition unfolds in a given environment, and how access to power is gained and secured. Strategies of capture vary depending on the decisions of political elites whether to share rents with their constituents and whether to allow political competition. In Grzymalla-Busse's typology of state capture extractive political elites can follow one of four options: they will share rents with supporters and they will allow political competition with *clientelism*, they will not share rents with their supporters but they will allow political competition with *exploitation*, they will share rents and they will preclude competition with *fusion* and, finally, they will not share rents and they will also preclude competition with *predation* (2008). Variation in these extractive strategies occurs along the dimensions of rent sharing and political competition, and reflects strategic calculations influenced by existing organizational endowments, the costs of buying support, and the trade-off between costs and the probability of exit from office (Grzymalla-Busse, 2008, 645). In consolidated democracies, political elites abide by constitutional rules that safeguard political participation and a considerable degree of political competitiveness. Democratic institutions reduce the rent-extracting options to a choice between sharing rents with their supporters (clientelism) or not (exploitation). Because the cost of exit from office in consolidated democracies is low, this decision is shaped by the general permissiveness of the established political and economic institutions as well as the fiscal cost of each option.

Clientelism offers politicians a stronger capacity to secure party loyalty and cohesion, further strengthening their grasp of power, which is a prerequisite for continuous extraction. Patrons require their clients to make a commitment for long-lasting political alignment. These commitments lead to the formation of client networks of supporters (Weingrod, 1968, Roniger and Güneş-Ayata, 1994; Kitschelt and Wilkinson, 2007; Stokes, 2007). Insofar as the cost of patronage is dispersed amidst the general population, and if existing institutions and the economic structure allow so, clientelism is an attractive strategy for political elites who want an effective and loyal support base.

Clientelism and corruption work as complementary strategies of state capture. Grzymalla-Busse's analysis highlights the fact that sharing rents (through clientelism in a democracy) serves as a strategy that supports elite-level state capture by buying social acquiescence (Also Adserá, Boix, and Payne, 2003) but this choice cuts into the rulers' gains from extraction, and thus comes at a cost for the extracting political elites. The literature has explored other avenues by which political actors can share rents with their supporters in ways that increase rather than reduce their share of personal extraction: patrons appoint supporters in key positions of the administration in order to facilitate their corrupt activities (clients as 'accomplices', Werner, 1983, p. 150; Colazingari and Rose-Ackerman 1998). This is a form of 'reinvestment' of resources to make corrupt patrons more competitive than others, and creates a vicious circle of 'clientelism-corruption-clientelism' (Della Porta, 1997, 37). In the end, clientelism thrives in an environment of excessive bureaucratization which triggers a demand for facilitation services whose supply is met by agents recruited by patronage (Golden 2003). This institutional environment is characterized by discretionary political brokerage and increased state intervention in economic and social activities. The interplay between

clientelism and corruption fosters the perception that politics offers opportunities for individualistic advancement (Della Porta, 1996, 263).

Corruption and clientelism are both associated with the availability of resources. The state needs to collect resources by way of taxation or public borrowing before political actors turn them into resources to be appropriated by themselves and their allied economic actors or to be distributed by means of clientelism to their supporters (e.g. with patronage appointments in the public sector, regular vote-buying through food programs etc). Hence, clientelism and corruption are forms of benefit extraction *from* the state which presupposes the prior extraction of resources *by the state*. However, benefits can also be amassed by ‘extraction *through* the state, when state actors draw material benefits directly from the private economy by taking advantage of their decision-making positions within public administration. Extractive actors receive bribes or campaign contributions from entrepreneurs in exchange for preferential treatment in various decisions concerning access to government procurement, a license to operate or expand their business, the erasure of an administrative fine, changes in market regulations to skew market conditions such that they gain rents, exceptions, exemptions etc. Extraction through the state is less fiscally costly as it externalizes its costs by passing it on economic and social actors who are engaged in transactions with the state, and ultimately on producers and consumers.

The prevalence of state capture in certain environments can be seen from a sociological point of view as the prominence of informal norms that intersect formal institutions and are being reproduced through a process of socialization that takes place in that environment. This form of reproduction involves the diffusion of knowledge (‘this practice is happening’) about the structural

environment – its routines and opportunities - among actors. However, reproduction presupposes choice by actors who find some benefit in engaging in state capture that outweighs any perceived cost or risk (actors making a cost and benefit calculations). In rational choice terms, these are strategic choices that unfold in a normative environment, in which the actors' identity and goals' are well established and 'the rules of the interaction are known to the interacting agents' (Tsebelis 1990:32). Rational actors are 'knowledgeable' in that environment about the options available to all actors and the payoffs to each option (Tsebelis 1990:40).

This notion of 'action within structure' indicates two pathways of institutional change. First, change can take place when strategic actors come to perceive costs that outweigh the benefits of continuing with a current option: there is a change of *payoffs*. Moreover, it may also be the case that political payoffs remain unaltered across a set of options, but there is a limitation of *the actual options* available for strategic choice. A change in the actors' behaviour can therefore be connected with developments in the political and economic environment that limit the range of feasible options regarding a given practice. In that situation, actors know that a certain option would give them a higher return than any other feasible option, but that option is (no longer) available. Changes in either of the two components of strategic choice (payoffs and options) can be a development exogenous or endogenous to the strategic interactions that unfold in state capture politics (Greif and Laitin 2004). But any envisaged shift to a different institutional configuration will also reflect considerations of future shifts in the distribution of costs and benefits (Zahariadis and Exadaktylos 2014, p. 45).

Fiscal limits to state capture and political options

Limits to resources available for extraction constitute a key factor that prompts changes in the strategies of state capture. This defines the menu of feasible options regarding the form and intensity of state capture. State capture sets in motion a vicious circle: as a system of state capture operates and expands, it has an adverse effect on the economy and public finances (IMF, 2016, p. 9), which in its turn undermines its fiscal viability. Increasing taxation to extract new resources will eventually exhaust tax capacity while borrowing costs may rise too high. State capture eventually reaches a fiscal limit even in richer economies, once resources have been increasingly extracted from the state and rent-seeking has undermined the productive capacity of the economy. This (partly) endogenous development can be described as the ‘tragedy of the commons’, a situation in which fiscal resources for distribution have been ‘overgrazed’ and ‘exhausted’ (Wagner, 2012). In that regard, state capture can be seen as a self-undermining practice because the cost it generates ‘cultivates the seeds of its own demise’ (to paraphrase Greif and Laitin, p 634). This development may also be partially due to exogenous factors: a regional or global economic crisis hits the domestic economy.

Either way, the most attractive options for state capture (the ones with higher payoffs) are taken away from the menu of feasible options. The problem with resource scarcity is that political parties and individual politicians gain from state capture but this is becoming less and less fiscally sustainable. In other words, there is a misalignment between the preferred political benefits and the actual fiscal cost. In that situation, politicians cannot avoid making some effort for macroeconomic consolidation which may subsequently require taking measures to curb the level of distribution. In the language of historical institutionalism, this moment is a critical juncture in

which the reproduction of the established system is at stake (Capoccia and Kelemen 2007, 343). At this point, it is worth exploring how fiscal and economic difficulties affect the dynamics of state capture: how does the political party or group in government find resources for extraction and how do they cope with increasing demands of their clients under pressing financial conditions?

In theory, resource scarcity must trigger a move away from (mass) clientelism towards elite-level state capture (exploitation). Elite-level corruption may be affected less, insofar as the source of private gain for politicians does not require a large fiscal base but it primarily relies on the operation of regulatory discretion in several private-public investment projects. Clientelism, on the other hand, is costly insofar as it cuts into the gains from capture which the political elite can extract. When resources become scarcer, it is plausible to expect that politicians will confront the option of curbing clientelism. A departure from clientelism poses a difficult dilemma (Cf. Geddes 1996). Political elites have undertaken commitments to their clients and have created expectations that they will continue to offer selective benefits. A plausible scenario is that they will limit the amount of resources for distribution and reduce the number of beneficiaries, when electoral victory depends more on the general fiscal and economic performance rather than the electoral worth of their clients who will be left out (Geddes 1996: 8, 95). However, as clientelist supply is being reduced, some party supporters and voters - once lured by clientelist benefits - will find themselves free from patronage ties (Lyne, 2008, 61-62).

This development can break the path-dependent institutional trajectory of clientelist politics with serious political consequences. Fiscal limitations threaten to disrupt long standing political strategies, and they will do so in a way that is costly for the political actors concerned. In a

competitive party system consisting of two or more parties and many individual politicians competing for clients, fiscal difficulties will not change the high payoffs these actors expect to derive from engaging in clientelism. Clientelism will continue to be the political ‘equilibrium’ point of the political system. Consequently, fiscal restraint threatens to remove ‘best strategies’, by pushing the government to place limits on clientelist supply, abandoning the equilibrium position and moving towards a suboptimal position. This is a suboptimal position because of the high cost of the uncertainty and frustration felt by among party clients as to whose benefits are going to be dropped or reduced. Inside the political party repeated interactions may backfire: instead of strengthening mutual trust, they will become a source of instability (Cf. Zahariadis and Exadaktylos 2014, p. 166).³

Given the high returns of clientelism in a system of capture, we can expect that there will be some effort to re-adjust the way clients’ demands are accommodated. Responses may vary from a case to a case basis and may largely depend on how entrepreneurial political elites are in view of the upcoming shifting set of constraints and opportunities. The aim is to tackle the misalignment between their political gains from state capture and the fiscal cost of the practice. A historical institutionalist approach helps unearth nuanced dynamics of state capture: how types and mode of selective benefits extraction are reconfigured in alignment with the dynamics of the economy and the terms of political competition, and how they relate to one another. The form of change may vary, depending on the adaptive responses of the key actors involved. Change can be abrupt or incremental (Mahoney and Rueschemeyer 2003; Streeck and Thelen 2005: 103). Adaptation can be manifested in several patterns: ‘reproduction by adaptation’ ‘survival and return’, ‘gradual transformation’ or ‘breakdown and replacement’ (Streeck and Thelen 2005:9).

State capture in Greece: recruitment by patronage appointments and self-limitation

Patterns of institutional adaptation are observable in the case of Greece, which is a typical case for the study of clientelism and corruption (cf. Eckstein 1975/1992; Rueschemeyer and Stephens 1997; Gerring 2004). State capture has been a long-standing trait since post-war Greece (Clogg, 1983; Alogoskoufis 1995: 152; Lyrintzis 1984, 102; Pagoulatos 2003, 34, 41). Greece's political economy took the form of 'clientelism' in the sense discussed by Grzymala-Busse: a system of 'predation with co-optation' (2008), primarily after the restoration of parliamentary democracy in 1974 that fuelled a 'clientelist game' between the main political parties (Trantidis 2016). During the first two decades of the post-junta period, the two main political parties - centre-right New Democracy and the socialist party PASOK (Panhellenic Socialist Party) - massively appointed their supporters in Greece's growing public sector (Lyrintzis, 1984; Sotiropoulos, 1996; Lyrintzis, 2005). Patronage appointments became a key tool by which politicians and political parties in competition with one another could recruit loyal supporters. The model of interest accommodation was described as 'bureaucratic clientelism' (Lyrintzis 1984): party cadres and clients occupied state offices and 'colonized' the public sector, marking the merger between political networks and state bureaucracy.

Greece in the period under study (1990-2009) underwent fiscal and institutional pressures for macroeconomic stabilization in face of economic difficulties attributed to decades of fiscal profligacy, public sector inefficiency, endemic corruption and party clientelism (Pelagidis and Mitsopoulos 2009; Kalyvas et al. 2011; Trantidis 2015, 2016).⁴ By the mid-1980s deteriorating

economic conditions and growing fiscal imbalances made it difficult for the Greek government to further enlarge the size of the public sector. A current account crisis forced the PASOK government (1985-1989) to launch a fiscal stabilization programme that involved higher taxes and wage restraint. The programme brought poor results and, in 1990, the newly elected New Democracy government adjusted the stabilization effort by adding privatizations and fewer appointments in the public sector. The reduction of the state sector was to bring about the subsequent reduction of the turf for clientelism and triggered staunch reactions from the opposition and segments of the governing party (Trantidis, 2014). During the same period, the government signed the Maastricht Treaty of the European Union in 1992, which committed Greece to an effort for fiscal consolidation under specified criteria and tight surveillance in order to be allowed entry to the European Monetary Union (EMU) on a set date (in 1999). The growth of the government budget as a percentage of GDP and the growth of the state sector had to be contained. When PASOK returned to power in 1993, Greece's macroeconomic imbalances, the EMU's requirement for fiscal consolidation and privatization of state-owned companies under financial pressures and the European Union's law prohibiting state aid limited the room available for new rounds of mass patronage appointments in the public sector, despite the increasing demand for state jobs and rising unemployment rates (Pappas, 1999, 199; Sotiropoulos, 1996). Placing fiscal limits to patronage appointments in the public sector was a key concern for the party in government. Failure to accommodate its clients risked alienating a considerable part of its support base and triggering desertion and internal clashes.

As a case study for state capture, Greece provides information on the theoretical expectations presented in the previous section which a large-n study is ill-suited to discern (Ragin 1997; George

and Bennett 2005:81; Cf. Yin 2014: 1-8). It offers observations of processes and developments associated with the fiscal sustainability of state capture practices. It also performs the exploratory function of unearthing new information regarding the interplay between clientelism and corruption. This leads to a new understanding and new conceptualizations of the phenomenon under inquiry (Yin 2013: 10). The case study is examined across a time continuum in which we can observe changes of the phenomenon under study in conjunction with surrounding circumstances (King et al. 1994:52). The findings of this research design can be read as ‘analytic generalizations’ (Yin 2014: 42, 48, 61) or ‘contingent generalisations’ (George and Bennett, 2005:84), which other studies can further explore (Gerring 2004:349).

In view of the fiscal and institutional limitations, we expect that there must have been some adaptation in the modes of state capture in Greece, possibly in the form of a reduced capacity for clientelist exchange. However, we confront the problem of measuring this variation given the fact that clientelism and corruption involve practices that remain illicit, hidden and undocumented. We can plausibly expect that any changes regarding the salience and intensity of these practices will be reflected in the political rhetoric. This variation can be captured by content analysis. By disclosing observations of change in terms of discussion of the phenomenon under study across a theoretically relevant time sequence, content analysis compensates for the shortage of hard evidence, (Krippendorff 1980; Klingemann et. al, 2006). Information for the ‘salience’ of a practice serves as an indication of the degree to which the practice has remained a key expressed concern and an integral element of political interaction (see Bara et al 2007 and Uhr, 1998).⁵

To trace shifts regarding state capture in Greece, we used a computer-assisted content analysis of parliamentary speeches between 1990 and 2009.⁶ We built a vocabulary to trace the total cumulative score for clientelism and corruption by generating the salience (total number of words) referenced to either corruption (*διαφθορά/διαπλοκή*) or clientelism (*πελατειακές σχέσεις*) between 1990-2009, for each year respectively (See Annex for technical details). We have used ‘semi-automated’ CATA by HAMLET II, which is an efficient approach of examining and measuring salience of issues pertaining to policies and political behaviour (Bara, Weale and Biquelet, 2007, p. 580). Our findings show that, clientelism had a constant presence in parliamentary debates (Figure 1 and 2). Interestingly, they also reveal that discussions about corruption and the adjacent theme of collusion between government and business increase from the early and mid-1990s, a pattern which our observations explore in the next sections.

[Figure 1]

The horizontal axis shows the year of presentation of the selected texts and the vertical axis is the proportion of total word count text provided by each of the dimensions/categories. The range of corruption salience ranges from 0.04% to 0.14%.

[Figure 2]

The horizontal axis details the year of presentation of the selected texts and the vertical axis is the proportion of word count of the two dimensions/categories. It can be seen that from the year 1990 up until 1997 there is a negative correlation in the relative appearance of the selective categories

of corruption and clientelism. Figure 1 and 2 reveal that at any given point the salience from one category is inversely proportional to the salience from the other category. For instance, the peak of 0.11% of salience in clientelism in year 1994, corresponds to the significant drop on the corruption line, with a salience of only 0.05%. Moreover, as seen on both Figures 1 and 2 from the year 1997 onwards there has been a reverse pattern of salience in each category, but most importantly, a significant increase/decrease in the ranges. Hence, clientelism reaches its highest value of 0.2% only in 1997 and reaching its lowest value of 0.01% in 2001, which remains at this level up until 2005, when smaller increase in the range again happens. Corruption, on the other hand, is at its lowest from 1990 to 1997 with only 0.04% to 0.05%, whereby it reaches its highest of 2% in 2005. Since then smaller decreasing and fluctuations around the range of salience are again observed. The Transparency International Corruption Index also indicates an increase in perceptions of corruption during the same period.⁷

[Figure 3]

Clientelism remained a permanent theme in the recorded public debate. This can be the case because either older cases were exposed later or new clientelist practices were brought to light. The key finding here is the surge of corruption as a reported problem and a theme in parliamentary debates. We seek to shed light on this finding, taking into account the fiscal and political conditions during that period of time. In the following section, we observe how political actors adjusted the system of state capture in view of fiscal difficulties. We have used information collected from press releases and commentary as well as official reports from government and other organizations.⁸ We identify three patterns of institutional adaptation:

1. Self-limitation with regard to costly fully tenured patronage appointments, and the use of diminished forms of patronage in their place.
2. Exploitation of new opportunities for rent-extraction which, by their own nature, could not be shared with a larger constituency of voters; this had unintended consequences for power relations between political and economic actors.
3. Preservation of clientelist ties thanks to practices that involved extraction through the state.

Self limitation and diminished types of patronage supply

Returning to power in 1993 and facing pressing fiscal conditions, the PASOK government introduced an exam-based system of appointments to fully tenured jobs in the public sector. Exams were to be organized by an independent agency (the so-called ASEP) whose status and workings were shielded from government intervention. Few years later, a constitutional amendment secured that this system would not be repealed. This lifted the pressure for patronage appointments from the government party, and, at the same time, prevented the opposition from making credible promises for patronage to its own supporters, thereby balancing, to some extent, the effect of this reform across the political system.

At the same time, the government introduced a number of exceptions to the system of entry exams. It permitted the government to offer fixed-term contracts for temporary jobs (Pappas and Assimakopoulou, 2012, 148-149). Fixed contracts offered a 'lesser' form of patronage. Contract workers were cheaper than permanent staff and they could be easily dismissed. When fixed-term

employees asked for permanent tenure, the government established a 'point system' that calculated prior job experience in the state sector as a bonus in order to favour some temporary workers in several rounds of fully-tenured appointments (Spanou, 2008, 158 and 164). When New Democracy returned to power in 2004, Greece's public finances were found to be worse than initially projected, and the new government had a smaller room for tenured appointments. With the exception of the professional army, hospitals and education, the government opted for a mixture of flexible employment types - new fixed-term contracts, specific project contracts, hourly-paid contracts, and even internships ('stages') – to cover positions where new personnel was needed.⁹ The displacement of the formal rules for full-tenured appointment with new ones brought about the gradual transformation of clientelist practices into diminishing forms of patronage supply, which, however, served the same purpose at a lower cost. Throughout this period, fiscal constraints did not affect the provision of non-costly forms of favouritism.

Elite-level collusion and media leverage

During the late 1990s and the 2000s funding from the European Union for the Greek public investment program increased substantially compared to previous years. These funds supported an extensive public investment programme which opened new opportunities for business actors to get involved in government procurement and bid for public sector contracts. This type of funding could not be used for typical clientelist supply but it generated rent-seeking opportunities for business actors. Unlike party clients, some business actors could switch political sides, approach the two main political parties simultaneously, or sidestep politicians by offering bribes to state officials directly in return for preferential treatment.

Public investment projects were tainted by widespread perceptions of elite-level corruption (Cf. OECD 2001, 56).¹⁰ The main opposition party issued a booklet named ‘the Dark Bible’ with reported cases of mismanagement and corruption in public administration.¹¹ Inside the government party, there was growing concern about the relationship between several government politicians and businessmen.¹² Accusations of corruption were also launched against New Democracy during the period it was in power between 2004 and 2009. Despite fierce debates over corruption scandals, the justice system investigated few cases involving serving or former ministers and members of parliament. The reason was that the Greek Constitution and its implementing law requires the Parliament to approve any criminal charges brought by judicial investigation that involves serving or former Ministers and Members of Parliament under a special statute of limitations that has shorter time limits. This legal framework fuelled widely held views that the political class had deliberately established impunity for its corruption. In response to these concerns, the government introduced a law governing the financing of political parties but entrepreneurs could circumvent its restrictions by giving politicians unregistered cash, buying their coupons anonymously or, depending on their occupation, offering them free campaign material, working space, press coverage or even valuable information about incoming stock exchange investments .¹³

Elite-level collusion exhibited different power dynamics compared to the typical patron-client relationship. Several business actors who were involved in government projects invested in the mass media industry in order to increase their political clout (Papathanassopoulos 2001, 519; Papathanassopoulos 1999; Hallin and Papathanassopoulos 2002, 178). Their media businesses were often loss-making but they helped their owners strengthen their bargaining power versus

politicians and state officials in their requests for preferential treatment. Changes in the media landscape and the nature of resources available for capture had the unintended consequences of drifting the balance of power between political and economic actors. After private ownership of radio stations and television channels was allowed to operate in 1989, the autonomy and bargaining power of entrepreneurs against politicians became discernibly stronger.

Prime Minister Mitsotakis (1990-1993) was the first to confront this new landscape, which he saw as a collusive relationship between political actors and businessmen involved in government contracts and procurement. Competition for state contracts exacerbated clashes among media businessmen for political influence and triggered grievances over government projects. Prime Minister Simitis (1995-2004) tried to reduce the political influence of the media by passing a constitutional amendment in 2001 to prohibit owners of private mass media to participate in public procurements. This initiative could be interpreted as a reform akin to the ASEP process a few years earlier. It can also be seen as an effort to strengthen the bargaining power of politicians versus media owners. The initiative was, however, ineffective. The law was found to be in breach of European Community law and became inactive.

Client corruption: ‘extraction through the state’

Patronage appointments in the Greek public sector have been historically a widespread practice (Pappas 2009. Cf. the narrow definition of ‘patronage’ by Kopecký and Scherlis 2008, 356). The appointed clients were expected to act as party activists helping to mobilize broader electoral support and disseminate the party’s message. Following appointment, clients were rewarded with

several other benefits: they enjoyed better terms of employment, extra payment benefits and career promotions to key decision-making state offices.¹⁴ From these positions, they had the opportunity to cultivate useful connections with other clients and offer brokerage services to one another that helped them overcome excessive red tape and gain advantages in their transactions with state authorities (Andreou and Koutsiaras, 2002, 162). Patron-client networks spread to working environments adjacent to the public sector such as universities, sport clubs, the military and other professional organizations. Within these broader networks, party clients formed circles or ‘cliques’ occupying key decision-making positions, and extracting private gains, including bribes, thanks to the protection, tolerance or ignorance of patron politicians and other politically appointed officials (Trantidis 2016: 177-181).¹⁵ The Court of Audit recorded numerous cases of fiscal mismanagement and abuse of power in public organizations and its corporations.¹⁶ Bribing was reported in several public services such as public healthcare, urban planning, public construction, vehicle controls, environmental controls, the collection of taxes, and army procurement. These corrupt activities in the broader public sector were referred to in public discourse as corruption rather than clientelism. In reality, typical patron-client relations were at play: agents were promoted to key administrative positions thanks to their clientelist ties with party officials. Client corruption was passing the cost of clientelist accommodation on citizens in their transactions with public offices.

The pathway by which clientelist relations and corruption become interconnected involved three processes: the promotion of party clients to key positions, the presence of a complicated legal framework that offered a high degree of administrative discretion and allowed clients to ask for bribes, and the operation of weak control mechanisms and ineffective sanctions for misconduct

(these processes were described by the then European Ombudsman Nikiphoros Diamandouros, in the newspaper *Kathimerini*, 09/02/2003; See also Golden 2003; Spanou 2011). Administrative processes raised barriers to entrepreneurship and market entry, fostering unfair competition (OECD 2001, 110). Lengthy and complex bureaucratic procedures created the ground for corrupt dealings involving government employees appointed in key decision-making positions thanks to their political ties and allegiance, in a system known as ‘partitocracy’.¹⁷

As corruption became a major theme in public debate, the government announced several measures to improve transparency and legality in public administration. It introduced a mathematical formula to increase transparency in the selection of contractors in construction projects but the main companies could cartelize and make their own bidding pre-arrangements.¹⁸ A plan to improve transparency in the public health sector by centralizing control over procurement was aborted due to reactions from PASOK MPs, Cabinet ministers and stakeholders in the health sector (Mossialos and Allin 2005). The Minister of Public Health described these stakeholders as ‘termites eating the flesh of the health sector’.¹⁹ Without the full support of the Prime Minister, the Health Minister resigned in June 2002 and later announced his decision to leave politics. Lack of transparency and the government’s failure to combat corruption by party cliques was linked to the prominence of clientelist relations inside the public sector. Self-proclaimed ‘modernization agendas’ were seen by opposition forces as devices that protected and revamped the political machinery that was delivering clientelist favours.²⁰ The government’s failure to combat rampant corruption led many political commentators to cast doubt on the government’s willingness to tackle this problem:

‘Political will by the political elite to address drastically this phenomenon is weak; hence the prevailing climate of impunity. In some cases, there was even blatant interference in cases in which a criminal act had been proven. This is happening not only when politicians are themselves involved in bribing. In most cases corruption is tolerated because it is associated with clientelist relations developed by the party and various politicians’.²¹

The overall re-alignment of state practices and fiscal costs was short-lived. Greece’s economy and its political distributional system were eventually shaken by the shock of the 2008 global financial crisis. The dramatic downfall of Greece’s finances and the strict conditionality of Greece’s bailout programs supervised by the European Commission, the European Central Bank and the International Monetary Fund dramatically limited the fiscal capacity of political parties to provide benefits to their clients. Tight fiscal austerity squeezed resources for distribution and caused great uncertainty among traditional party members accompanied by the dramatic reshuffling of party loyalties. Popular support for PASOK waned, while New Democracy retained most of its support base.

Conclusion: resource availability and the interplay of clientelism and corruption

Resource scarcity and fiscal limitations constrain state capture but governments can deploy creative strategies to preserve and revamp patterns of benefit extraction. Political actors have a vivid interest in devising ways to circumvent the problem of limited resources and find ways to accommodate their clients’ demands. The case of Greece illustrates several adjustments in the forms of state capture that fiscal limitations could trigger:

1. Permanent appointments by patronage may be reduced, but less costly forms of clientelism will continue to be offered. Clientelist networks still operate as a structure for brokerage and mutual help.
2. New funding for public investment can fuel elite-level collusion.
3. Clientelism and corruption intersect in the way by which political elites seek to accommodate the continuous demands of their supporters. Key decision-making posts in the public sector can be occupied by party clients who would engage in extraction *through the state* ('client corruption'). Administrative corruption, when it serves as a form of clientelist accommodation, has a clear political connection.

In theoretical terms, when resource scarcity threatens to remove established high-paying options regarding state capture, political agency can, in some considerable measure, aptly move to restore the menu of options to high returns. The increasing fiscal cost of sharing rents with political clients may trigger the replacement of costly forms of resources for distribution with less costly selective benefits. In addition, new opportunities for extraction may be searched for and exploited. The nature of the new sources determines changes regarding the prominent type of state capture. Funds designated for public investment projects, government procurement and privatization invite rent-seeking economic actors to collude with politicians and state officials but they are not suitable for large-scale distribution to party supporters. In that case, relative power dynamics differ from typical patron-client relations.

Strategies of state capture demonstrate hybridity, cutting across the ideal-type categories of clientelism, administrative corruption and elite-level corruption. Tolerance of petty corruption allows patrons to accommodate the rent-extracting demands of its political clients, following appointment or promotion to decision-making posts in the public sector, without the fiscal burden of prior government extraction via taxation or public borrowing. In that regard, extraction *through the state* and extraction of resources *from the state* are alternative ways by which political actors can accommodate the rent-extracting demands of their clients. The latter helps them sidestep fiscal and structural constraints. This creates a system of state capture where the clientelist benefit itself is the allocation of ‘extractive capacities’ and the granting of a ‘licence’ to engage in corruption. The hybrid form of state capture, ‘client corruption’, cuts across the conceptual boundaries between corruption and clientelism. It requires a legal framework that establishes a large room for administrative discretion and a general framework of impunity which is designed to enable corrupt activities.

Clientelism, by its very nature, involves a relatively large body of beneficiaries selected for its political utility by means of allocating various benefits, but the benefits distributed may not necessarily be fiscally costly resources. If political actors exploit the mutually reinforcing relationship between clientelism and corruption, clientelism will not necessarily cut into the rents they could extract. Client corruption serves as a substitute for resource distribution and externalizes its costs. This explains why state capture is resilient even in environments with few or diminishing resources and why larger-scale co-optation can flourish in environments of scarce resources. In poorer developing countries it pays for political elites to retain a politicized economy that fosters

rampant corruption and make no serious or effective effort to control the corrupt behaviour of their appointed state officials.

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Annex: Content analysis of parliamentary debates on corruption and clientelism.

The goal of content analysis is to reduce large amounts of unstructured content into distinct structures of content and then identify if the structured content support the main argument. The content analytic method has a highly systematic set of rules that govern incremental processes in which the text may be broken down into smaller units of analysis Krippendorff (1980). The methodology we used to analyze the Greek parliamentary debates is Computer Assisted Text Analysis (CATA). The CATA approach involves a linguistic issue, in which words and, in general, 'text' are seen as the main points of enquiry analysis. We underline the aspects of the content of the debates on clientelism and corruption, utilizing the software of HAMLET II. Its main purpose is to search a text file for words in a given vocabulary list, and to count joint frequencies within any specified context unit, representing a given span of words. In other words, it counts individual and joint word frequencies in which the resulting similarities matrix can be analyzed using different methods (cluster analysis, multi-dimensional scaling, Jaccard co-efficient). The main analytical procedure is to search for 'inter-connections between a number of key words that occur

in a text and explore word and category associations' (HAMLET II software manual, 2013, p. 4). Our data includes 3,179 texts that have been examined, excluding data from 1995 that were not available. The units of analysis for this project contains words and phrases identified in the text and reflect back to the established categories, in this case 'clientelism' and 'corruption' in Greek (See the dictionary at the end of the annex). The texts are examined as whole.

As Tashakkori and Teddie (2010) underline, by using a computer software the researcher is able to 'subdivide' the textual material in individual 'hermeneutic' units (2010, p. 383). It is in these units that words, idioms etc. are being classified. The 'semi-automated' characterization refers to the HAMLET II requirement of a preparation of a general vocabulary of key words and terminology on which the analysis will be conducted. By using computer-assisted content analysis the measurement of the research relies on this dictionary approach in which the proportion of words that are considered to be indicators are counted (Rooduijn and Pauwels, 2011). The coding technique can be described as a process of selective reduction, whereby the components of text (parliamentary debates) are assigned to specific categories in order to enable us to concentrate on particular themes of words, which are of significant relevance to our main hypothesis. The data were screened for missingness and violation of assumptions prior to the analysis. It should be highlighted at this point that a small proportion of the words as actual dictionary inputs enclosed in the texts themselves is adequate in this form of research to highlight salience (Bara et al, 2007). For example, the total sum of the two categories entries for the 1997 debate signifies only some 0.34% of the total word count of the text, in 2002 1.06% and in 2005 2.17%.

The results revealed that neither clientelism related data nor corruption vocabulary were normally distributed, as assessed by Shapiro-Wilk's test ($p < .05$). The Spearman's rank order correlation was conducted in order to determine if there was any relationship between the amount of corruption and clientelism vocabulary used in Parliamentary Debates between the years 1990-2009. Preliminary analysis showed the relationship to be monotonic, as assessed by visual inspection of a scatter plot. There was a moderate positive correlation between the corruption related vocabulary and clientelism words used in Parliamentary Debates, $r_s(18) = .570, p = .009$.

Dictionary sample of the computer based textual analysis:

Clientelism plus synonyms: πελατειακές σχέσεις, πελατειακό σύστημα, κομματοκρατία, ρουσφέτι, πατρωνάρισμα, πελατειακός-η-το

Corruption plus synonyms: διαπλοκή, διαφθορά, διαπλεκόμενος-η-το, διεφθαρμένος-η-το, διαπλέκω, διαφθείρω, δωροδοκία, δωροδοκώ, μικροδιαφθορά, ανοχή στα πειθαρχικά, μέσο για διευθετήσεις κομματισμός στις προαγωγές.

¹ A critical juncture is a situation in which the reproduction of a system is disrupted (Pierson 1997:9) and actors face a wider and, at times, riskier range of options (Capoccia and Kelemen 2007, p. 343).

² State capture cannot be vaguely defined as the 'misuse' of public office or the 'use of public power for private gain'. It requires collusion: agreement between political and other social actors for the extraction of private gains in ways that violate lawfulness or predominant public expectations of transparency. Practices of capture may or may not violate the law.

³ As Capoccia and Kelemen argue: ‘Throughout these processes of change, but more distinctively in cases where change is abrupt, uncertainty is increased: actors face a higher degree of the imperfect conditions that they tend to face under a more stable institutional environment: not just differentiated interests but also limited information, learning gaps and biases and uncertainty over the future resurface. Hence, the congruence between their initial plans, the means that have been employed and the end result is likely to increase’ (Capoccia and Kelemen 2007, p. 343).

⁴ Other reported contributing factors included the architecture of the Eurozone, the impact of the 2008 global financial crisis and uncertainty over Greece’s fiscal statistics.

⁵ Surveys and parliamentary debates offer inter-subjective evidence of the relative salience of the themes under discussion. Due to the nature of state capture, measures such as Transparency International and content analysis are the best available indicators for these phenomena compared to a proxy-based approach of measurement. It should be made clear that the use of content analysis of the parliamentary debates does not show the actual extent of corruption during each year. The greater salience of an issue indicates an increase in public attention.

⁶ The parliamentary speeches analysed by this paper are available online for downloading at <http://www.hellenicparliament.gr/el/>.

⁷ This index uses surveys to document how businessmen and financial journalists perceive the presence of corruption in their countries. It makes no distinction between elite-level corruption and administrative corruption (petty corruption). It is not a measurement of actual corrupt practices every year, given that many ongoing corrupt cases were hidden from the public eye at the time each annual survey was conducted. The index offers a snapshot of perceptions about the prevalence of corruption practices, which allows year-by-year comparisons.

⁸ The information presented in the next sections has been retrieved from a qualitative evaluation of parliamentary minutes, the National Surveys on Corruption in Greece by Transparency International, reports by the Greek Ombudsman, reports by the General Inspector of Public Administration, annual reports of the Court of Audit and archival research in the newspapers *Kathimerini*, *To Vima*, *Athens Voice*, *Eleftherotypia*, and *Ta Nea*.

⁹ *Kathimerini*, July 2, 2007.

¹⁰ Our content analysis observes that the rhetoric on corruption peaks between 2004 and 2006, in the aftermath of the Athens Olympic Games, Greece’s single biggest construction project.

¹¹ Newspaper *Kathimerini*, October 18, 2003.

¹² See *Kathimerini*, May 10 2003 and October 19, 2003.

¹³ Newspaper *To Vima*, September 28, 1997.

¹⁴ See, for instance, *Kathimerini*, April 28, 2002.

¹⁵ For instance, the Mayor of Athens Miltiades Evert, who later became leader of New Democracy, noted some ‘take advantage of their relations and connections - often in the name of ideas and ideals which they have turned into a lucrative merchandise – to climb up and enrich themselves while elbowing others who may be possible better than them’ (newspaper *Vima*, July 30, 1989).

¹⁶ The Court’s investigation revealed the payment of undue benefits, subsidies and payments inside the public sector as well as to third parties such as private foundations (Court of Audit 2003:35-40; 2004: 49-58).

¹⁷ Nikos Mouzelis, LSE Professor of Sociology, in the newspaper *Vima*, on June 29, 2003.

¹⁸ See newspapers *Ta Nea*, March 18, 1993 and *Kathimerini*, July 19, 2003

¹⁹ Statement in the newspaper *Vima*, on January 28, 2001. When asked in an interview whether his agenda had been influenced by political considerations regarding the cost of fighting corruption and clientelism in the health system, the former Minister of Health replied that he had defied the political cost and chose to clash with organised interests in the healthcare system – the pharmaceutical companies and medical procurement contractors (interview with newspaper *Nea*, on July 31, 2000).

²⁰ Magazine *Economikos Tahydromos*, July, 1, 1994, p. 24.

²¹ Editorial comment in the newspaper *Kathimerini* on October 22, 2002.