Interview Questions

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1. Almost all European countries are Welfare states. Compared with other welfare states, how is Greece different? Why do Scandinavian welfare systems run successfully, while Greece and other southern European countries fall into crisis?

Greece belongs to a South European type of German – like welfare systems that are based on occupational insurance schemes. However, the Greek welfare system differs from the German system because it is very uneven and unequal: a few interest groups, particularly the interest groups of public sector employees and liberal professions, have managed to obtain very favourable treatment from the Greek state. The latter, functioning within a political patronage framework, has provided the aforementioned occupational schemes with state subsidies and additional transfers which it did grant to the insurance schemes of private sector workers and employees. Scandinavian welfare systems were in crisis and underwent drastic reforms (financial mainstreaming) in the early 1990s. These were reforms which France and Italy took up much later in the same decade and Greece attempted only last year (2010).

2. Why Greece failed to take initiatives to reform its welfare system? Where do obstacles and hindrances come from? Both are multiparty democracies, why German managed to cut on welfare expenditures from 2003, while Greece didn't?

Greece has a corporatist system of industrial relations, where public sector labour unions exert large influence over income and pension policies. Labour unions are strong, while parties of the Left are very vocal. At the same time successive Greek governments feel pressed, especially during pre-electoral periods, to cater to the interests of the most powerful interest groups (e.g., of the public sector and the liberal professions). The fact that in Greece, in contrast to the case of Germany, there is no tradition of consensual policy-making and that the Greek party system is one of the most polarized two-party systems of Europe works only to dampen concerted efforts towards rational, non-ideological reforms. However, Greeks, who experienced dictatorship at various time intervals in the 20th century, seem to cherish this type of conflictual, highly volatile type of democratic politics. Remembering how authoritarian rule was, perhaps they have a reason to do so.

3. What are the rational and discretion for Germany's reluctant decision to bail out Greece? How important is a unified euro zone to Germany?

Germany was and is the foremost power behind European Union (EU) integration, i.e., an unprecedented political and economic experiment of linking together nation states governed by democratically elected governments. Naturally,

pressures from electorates within such democracies and sporadic national interest clashes among EU Member-States periodically slow down or even halt this experiment. However, the German economy would stand to lose a lot from a breakdown of a European - wide market for its products. This market would be damaged if one country after the other started defaulting. Germany could not compete, either on the economic or the diplomatic level, equally well with other large economic powers (China, USA, Japan), if it was standing alone in the global economy. It pays well to be a regional economic leader. Moreover, if any EU Member –State, such as Greece, was let down by Germany, then the latter would have suffered an economic and diplomatic blow, as, more than 20 years now, the world wide interests and prospects of the EU and Germany are bound together.

4. Some analysts see this debt crisis as the end to welfare states. Do you agree?

No. The European welfare crisis survived various crises, starting with the two oil shocks of 1973 and 1979. The same states may survive the current crisis too and in fact state elites still believe that the European social model is the best in the world. The welfare state, combined with liberal democracy and the market, embody the principles upon European societies rest (social cohesion, market system, democracy). The debt crisis has severely hit countries which either have overspent on welfare or have misspent welfare funds by allocating transfers in an irrational, clientelist manner and have borrowed excessively to cover the state's fiscal needs (e.g. the case of Greece in 1981-2011). Not all EU Member-States have equally severe problems with their welfare states. Some states may encounter problems in the future because of adverse demographic trends (e.g. in the cases of Germany, Italy, Austria where the population has stopped increasing). Overall, the working classes, through the struggles of which in the 20th century the European welfare states came to be in the first place, will probably prevent governments (which need their votes) to downsize welfare states drastically.