CHAPTER 3

Policies for Sustainable Governance

3.1 INTRODUCTION

The importance and, ultimately, the meaning of seeking more effective and democratic methods of governance (political and economic) lies in the fact that governance can not only influence the performance and form of the economic system at present, but it essentially shapes incentives and institutions for the future distribution of resources and incomes within society. This is a critical issue given the high level of uncertainty surrounding the Greek economy and society and the large recent external shocks caused by the 2008 global financial crisis and the Covid-19 pandemic.

This chapter aims to present economic policies to enhance the quality and sustainability of governance in Greece, given the many weaknesses that characterize it (see Petrakis & Kostis, 2020). To this end, initially (Sect. 3.2), there are crucial institutional changes related to doing business and the strengthening of the competitiveness of the Greek economy. The next Sect. 3.3 presents a number of modern state strategies, relating to effective management of public sector, the strategic plan on corruption and tax fraud elimination. Finally, in Sect. 3.4, ways to strengthen trust in political institutions and management of the economic geostrategic risks are presented.
3.2 Institutional Changes

The institutional changes needed to strengthen the institutional framework of Greek economies can be identified sufficiently well by the World Bank’s Doing Business and the World Economic Forum’s Global Competitiveness reports. In order to be able to describe the intensity of the necessary policies to be pursued within the institutional framework of the Greek economy, the performance of the Greek economy is compared with Portugal and Ireland in the most recent versions of these two reports.

Table 3.1 shows the performances and rankings between 190 countries of the Greek economy compared to the respective performances of Portugal and Ireland, based on the World Bank’s Doing Business 2020 index (2020).

Surely, these data refer to the pre-Covid-19 period. Although of the Covid-19 shock is almost symmetrical throughout the world, its effects are expected to lead to significant shifts in the development assessments of economies.

By observing Table 3.1, it appears that the Greek economy should seek to take the following steps to improve the efficiency and effectiveness of its business function:

- Regarding the start of new businesses, Greece is achieving significantly better performance than the other two economies, as significant progress has been made in the last two years.
- With regard to construction permits, the number of procedures required for their issuance need to be reduced from 17 to 10 procedures, the number of days required need to be reduced from 180 to 160 days, and the cost of licensing need to be slightly reduced.
- Regarding the supply of electricity, the performance of the Greek economies is quite satisfactory. However, costs should be reduced from 68.2% to about 34% (as a percentage of income per capital).
- Regarding the procedures of registering property, the Greek economy has an exceptionally low score. It is necessary to reduce the procedures required from 11 to 1, reduce the days required from 26 to 10, but also improve land management as in the land administration index, the Greek economy achieves an exceptionally low score.
Table 3.1 Scores and rankings of the three economies of Greece–Portugal–Ireland in the sub-indexes constituting the Ease of Doing Business index

|                          | Greece | Portugal | Ireland | Greece–Portugal | Greece–Ireland |
|--------------------------|--------|----------|---------|-----------------|----------------|
| **Starting a business (rank)** | 11     | 63       | 23      | 11              | -              |
| Score for starting a business (0–100) | 96     | 90.9     | 94.4    | 5.1             | 1.6            |
| Procedures (number)      | 3      | 6        | 3       | -2.5            | 0              |
| Time (Days)              | 4      | 6.5      | 11      | -5.5            | -7             |
| Cost (% of income per capita) | 1.5    | 1.9      | 0.1     | -0.4            | 1.4            |
| Minimum capital (% of income per capital) | 0      | 0        | 0       | 0               | 0              |
| **Dealing with construction permits (rank)** | 86     | 50       | 36      | -26             | 50             |
| Score for dealing with construction permits (0–100) | 69.5   | 73.2     | 76.6    | -3.7            | -7.1           |
| Procedures (number)      | 17     | 14       | 10      | 3               | 2              |
| Time (Days)              | 180    | 160      | 164     | -20             | 16             |
| Cost (% of warehouse value) | 1.9    | 1.2      | 4.1     | -0.7            | 2.2            |
| **Building quality control index (0–15)** | 12     | 14       | 13      | 1               | -1             |
| **Setting electricity (rank)** | 40     | 52       | 47      | -12             | 7              |
| Score for setting electricity (0–100) | 84.7   | 83.3     | 84.2    | 1.1             | 0.5            |
| Procedures (number)      | 5      | 5        | 5       | 0               | 0              |
| Time (Days)              | 51     | 65       | 85      | -14             | -34            |
| Cost (% of income per capita) | 68.2   | 33.6     | 57.1    | 34.6            | 11.1           |
| **Registering property (rank)** | 156    | 35       | 60      | -121            | 96             |
| Score for registering property (0–100) | 46.9   | 78.4     | 71.7    | -31.5           | -24.8          |
| Procedures (number)      | 11     | 1        | 5       | 10              | 6              |
| Time (Days)              | 26     | 10       | 31.5    | 16              | -5.5           |
| Cost (% of property value) | 4.8    | 7.3      | 6.5     | -2.9            | -1.7           |
| Quality of land administration index (0–30) | 4.5    | 20       | 23.5    | -15.5           | -19            |
| **Getting credit (rank)** | 119    | 119      | 48      | 0               | 71             |
| Score for getting credit (0–100) | 45     | 45       | 70      | 0               | -25            |
| Strength of legal rights index (0–12) | 2      | 2        | 7       | 0               | 0              |
| Depth of credit information index (0–8) | 7      | 7        | 7       | 0               | 0              |
| **Protecting minority investors (rank)** | 37     | 61       | 13      | -24             | 24             |
| Score for protecting minority investors (0–100) | 70     | 62       | 80      | 8               | -10            |
| Content of disclosure index (0–10) | 9      | 6        | 9       | 0               | 0              |
| Content of director liability index (0–10) | 4      | 5        | 8       | -1              | -4             |
| Ease of shareholder suits index (0–10) | 5      | 7        | 9       | -2              | -4             |
| Extent of shareholder rights index (0–10) | 5      | 3        | 5       | 2               | 0              |
| Extent of ownership and control index (0–10) | 6      | 4        | 3       | 2               | 0              |
| Extent of corporate transparency index (0–10) | 6      | 6        | 6       | 0               | 0              |
| **Paying taxes (rank)** | 72     | 43       | 4       | 29              | 68             |
| Score for paying taxes (0–100) | 77.1   | 83.7     | 94.6    | -6.6            | -17.5          |
| Payments (number per year) | 8      | 8        | 9       | 0               | -1             |
| Time (hours per year)     | 193    | 243      | 82      | 350             | 111            |
| Total tax and contribution rate (% of profit) | 51.9   | 39.8     | 26.1    | 12.1            | 26.8           |
| **Trading across borders (rank)** | 34     | 1        | 52      | 33              | 18             |
| Score for trading across borders (0–100) | 93.7   | 100      | 87.2    | -6.3            | 6.5            |
| Time to export            | 1      | 1        | 1       | 0               | 0              |
| Cost to export            | 24     | 0        | 24      | 24              | -24            |
| **Enforcing contracts (rank)** | 146    | 38       | 91      | 108             | 55             |
| Score for enforcing contracts (0–100) | 48.1   | 67.9     | 59.7    | -19.8           | -9.8           |
| Time (Days)               | 1711   | 755      | 650     | 956             | 1061           |
| Cost (% of claim)         | 22.4   | 17.2     | 26.9    | 5.2             | -11.10         |
| Quality of judicial processes index (0–18) | 12.5   | 13.5     | 8.5     | 1               | -4             |
| **Resolving insolvency (rank)** | 72     | 15       | 19      | 57              | 53             |
| Score for resolving insolvency (0–100) | 53.1   | 80.2     | 79.2    | -27.1           | -26.1          |
| Time (years)              | 3.5    | 3        | 0.4     | -0.5            | 3.1            |
| Cost (% of estate)        | 9      | 9        | 9       | 0               | 0              |
| Outcome (0 as piecemeal sale and 1 as going concern) | 0      | 1        | 1       | -1              | -1             |
| Strength of insolvency framework index (0–10) | 11.5   | 14.5     | 10.5    | -3              | 1              |

Source World Bank—Doing Business 2020 and authors’ calculations

Note In the last two columns of the table, grey means that the Greek economy scores better or ranks better in this variable, black means worse score or rank, and colour-free cells means the same score or rank
- Regarding getting credit, it is necessary to achieve improvement of legal rights (low score in the legal rights index).
- In the protection of minority investors, the Greek economy presents an exceptionally good picture, hence it ranks 37th among 190 economies.
- Regarding the payment of taxes, it is required to reduce the time of payment of taxes per year from 193 to 82 hours, while it is also required to reduce the total tax burden from 51.9% to about 26%.
- The status of the Greek economy in trading across borders achieves good levels, as it ranks 34th among 190 countries. Improvement is required only in the time and cost that accompanies exports to other countries.
- With regard to enforcing contracts, a significant reduction in the number of days required to carry out a new contract is required, from 1711 days to about 650 days and a reduction in cost of claim (% of claim) from 22.4% to about 17%.
- Finally, in relation to resolving insolvency, a reduction in the time required from 3.5 years to about half a year is needed.

In line with the World Bank’s Doing Business Report, the Greek economy performs much lower than Portugal and Ireland and in the Global Competitiveness Index of the World Economic Forum (2019). In this index, the Greek economy ranks 59th among 141 economies, while Portugal ranks 34th and Ireland ranks 24th.

The World Economic Forum lists the factors that create the biggest problems in doing business in the Greek economy, which need to be addressed.

The separate special report on the competitiveness of the Greek economy states that the factors that harm the competitiveness of the Greek economy are the following by order of importance: tax rates, inefficient government bureaucracy, tax regulations, policy instability, governance instability, access to financing, corruption, inadequate supply of infrastructure, inability to produce innovation and restrictions on the labor market (Petakis, 2011).

Table 3.2 presents the score of the Greek economy in all the sub-indexes that constitute the overall competitiveness index of the World Economic Forum. The overall competitiveness index is based on 12 main pillars.
Table 3.2  Rankings of the three economies in the sub-indexes that make up the competitiveness index of the World Economic Forum

|                          | Greece Score | Rank/141 | Portugal Score | Rank/141 | Ireland Score | Rank/141 | Greece–Portugal Score | Ireland Score | Rank/141 |
|--------------------------|--------------|----------|----------------|----------|---------------|----------|------------------------|---------------|----------|
| 1st pillar: Institutions | 50.5         | 85       | 64.5           | 30       | 73            | 16       | -14                    | -22.5         |          |
| Security                 | 77.5         | 60       | 90.9           | 14       | 87.2          | 25       | -13.4                  | -9.7          |          |
| Social capital           | 43.3         | 127      | 55.5           | 41       | 64.9          | 7        | -12.2                  | -21.6         |          |
| Checks and balances      | 47.4         | 82       | 62             | 27       | 71.5          | 13       | -14.6                  | -24.1         |          |
| Public sector performance| 45.8         | 92       | 52.6           | 61       | 65            | 30       | -6.8                   | -10.2         |          |
| Transparency             | 45           | 58       | 64             | 28       | 73            | 18       | -19                    | -28           |          |
| Property rights          | 38.3         | 120      | 66.9           | 39       | 75.4          | 22       | -28.6                  | -37.1         |          |
| Future orientation of government | 57.5  | 82       | 58.6           | 77       | 73.8          | 17       | -1.1                   | -16.3         |          |
| 2nd pillar: Infrastructure| 77.7         | 37       | 83.6           | 21       | 77            | 40       | -5.9                   | 0.7           |          |
| Transport infrastructure | 60.6         | 39       | 71.2           | 21       | 60.4          | 40       | -10.6                  | 0.1           |          |
| Utility structure        | 94.7         | 35       | 96             | 25       | 93.6          | 41       | -1.3                   | 1.1           |          |
| 3rd pillar: ICT adoption | 64.7         | 52       | 71.2           | 34       | 66.6          | 49       | -6.5                   | -1.9          |          |
| 4th pillar: Macroeconomic stability | 75     | 64       | 85             | 62       | 100           | 34       | -10                    | -25           |          |
| 5th pillar: Health       | 93.5         | 23       | 94.2           | 22       | 94.9          | 18       | -0.7                   | -1.4          |          |
| 6th pillar: Skills       | 70.5         | 41       | 70             | 43       | 77.2          | 21       | 0.5                    | 1.4           |          |
| Current workforce        | 59           | 64       | 59             | 62       | 70.4          | 26       | 0.5                    | -1.1          |          |
| Skills of current workforce | 49.6       | 82       | 57.4           | 42       | 65.4          | 21       | -7.8                   | -15.8         |          |
| Future workforce         | 82           | 21       | 80.7           | 27       | 84            | 15       | 1.3                    | -2            |          |
| Skills of future workforce | 64.5        | 53       | 70.8           | 33       | 68            | 43       | -6.3                   | -3.5          |          |
| 7th pillar: Product market| 53.8         | 81       | 59.7           | 39       | 60.9          | 35       | -5.9                   | -7.1          |          |
| Domestic competition     | 49.5         | 87       | 56.6           | 49       | 59.1          | 36       | -7.3                   | -9.6          |          |
| Trade openness           | 58.1         | 68       | 62.9           | 39       | 62.6          | 43       | -4.5                   | -6.5          |          |
| 8th pillar: Labour market| 52.7         | 111      | 63.2           | 49       | 76            | 6        | 10.5                   | -23.3         |          |
| Flexibility              | 47           | 133      | 60             | 51       | 68.6          | 15       | -13                    | -21.6         |          |
| Meritocracy and incentivization | 58.5     | 90       | 66.4           | 53       | 83.5          | 4        | -7.9                   | -25           |          |
| 9th pillar: Financial system | 49          | 115      | 70             | 39       | 68.8          | 42       | -21                    | -19.8         |          |
| Depth                    | 40.9         | 63       | 63.7           | 29       | 56.7          | 38       | -22.8                  | -15.8         |          |
| Stability                | 59.1         | 140      | 78             | 124      | 83.8          | 98       | -10.9                  | -24.7         |          |
| 10th pillar: Market size | 59.6         | 57       | 60.5           | 51       | 64.6          | 44       | -0.9                   | -5            |          |
| 11th pillar: Business Dynamism | 58.8     | 76       | 69.7           | 28       | 76.9          | 10       | -10.9                  | -18.1         |          |
| Administrative requirements | 74.5     | 58       | 88.3           | 15       | 88.4          | 14       | -13.8                  | -13.9         |          |
| Entrepreneurial culture | 43.1         | 113      | 51.2           | 62       | 65.4          | 13       | -8.1                   | -22.3         |          |
| 12th pillar: Innovation capacity | 45.1    | 47       | 53.7           | 31       | 65.5          | 21       | -8.6                   | -20.4         |          |
| Interaction and diversity | 33.4        | 107      | 49.2           | 35       | 70            | 16       | -15.8                  | -36.6         |          |
| Research and Development | 45.7         | 37       | 49.7           | 34       | 55.3          | 28       | -4                     | -9.6          |          |
| Commercialization        | 67.5         | 38       | 70.7           | 27       | 77.1          | 11       | -3.2                   | -9.6          |          |

Source: World Economic Forum - Global Competitiveness Report 2019 and authors’ calculations

Note
1. All pillars and variables which form pillars are set to a minimum value of 0 and a maximum value of 100
2. In the last two columns of the chart, grey means that the Greek economy scores better on this variable and black that it scores worse
3. The pillars and the variables which form them are determined by other sub-variables, which are not shown in the table

It is significant that the Greek economy performs worse on all sub-indexes of the Global Competitiveness Index than the other two economies, with the exception of only infrastructure in relation to Ireland and skills in relation to Portugal.

The position of the Greek economy on the global competitiveness map is affected a range of issues. For example, Greece is one of the
worst performers in the world, under the heading “effectiveness of the legal framework for dispute resolution,” where among 141 countries it occupies the 131st place. Also under the Quality of land administration category, Greece ranks 138th, and is also in the same position as far as the “Government’s capacity to ensure policy stability.” Meanwhile, Greece has a poor performance in terms of “Government’s responsiveness to change,” coming 134th among 141 countries worldwide. Greece’s performance is also weak in a number of factors related to the financial system. Greece ranks 133rd among 141 countries internationally in “SME financing,” while it is in the penultimate position in the “Stability of the financial system” and ranks 139th in the “Soundness of banks” and 138th in the “Non-performing loans” categories.

However, despite its inherent weaknesses, the national economy is able to find itself in the top ten places in the world in various sub-indexes considered by the World Economic Forum. Greece ranks second, worldwide, in the share of the “population with access to electricity” and the fifth best in the ratio of “pupils/teachers in primary education.” Meanwhile, the Greek economy, together with another 98 economies, is in the world’s leading position in terms of Credit Gap, while together with another 88 economies it ranks first in the Inflation factor.

In order to make the Greek economy more competitive, it is necessary to:

- Improve its institutional performance in terms of the protection of property rights, the allocation of public resources, the performance of the legal framework for dispute settlement and the performance of the legal framework in demanding regulations. It is also necessary to improve the society’s confidence in politicians, reduce favoritism in government officials’ decisions, reduce the waste of public spending and the burden of state regulation and improve the protection of interests of minority shareholders, while increasing the transparency of government policies and the efficiency of boards of directors.
- Regarding the level of infrastructures, the classification of the Greek economy is quite satisfactory. Improvements should be made to the quality of the overall infrastructure, the quality of rail, port and air transport infrastructure, as well as to the quality of electricity supply and the number of mobile telephone subscriptions per 100 inhabitants.
In the case of ICT adoption, it is necessary to increase mobile-cellular telephone subscriptions, mobile-broadband subscriptions, fiber internet subscriptions subscription and internet users as a percentage over the adult population.

Regarding the macroeconomic stability, the only factor to be improved relates to the dynamics of debt management in the economy. This is an area which will be affected by the Covid-19 pandemic, mainly due to the surge in debt.

On health and skills, the classification of the Greek economy is satisfactory. Improvement should be achieved in the skills of current workforce.

As regards the efficiency of the product market, the intensity of domestic competition needs to be increased; the effectiveness of anti-monopoly policies must be improved, along with the reduction of the overall tax rate and the impact of taxation on investment. In addition, issues relating to foreign ownership, the impact on businesses from rules of foreign direct investment and the costs of agricultural policies should be addressed.

In terms of labor market efficiency, better employee–employer cooperation is needed, greater flexibility in wage setting, better management of recruitment and redundancy practices, more effective response to the country’s brain drain, reduction of the impact of taxation on incentives to work, and improvement of the country’s ability to attract talented individuals. In fact, the labor market of the economies is also expected to suffer severe shocks from the emergence of the COVID-19 pandemic. An analysis by Oxford Economics (2020) for the euro area concludes that the most vulnerable economies lay in the south of Europe with Greece being the most vulnerable among the economies of the euro area.

Regarding the market functioning pillar, there is a need to improve the availability and affordability of financial services, better financing through a domestic equity market and ease of access to loans, higher availability of risk capital, and greater bank sustainability.

In terms of market size, improvement is mainly required in terms of exports as a percentage of the GDP.

The business dynamism pillar also requires administrative requirements and the strengthening of the entrepreneurial culture.
In the innovation capability pillar, improvements are needed mainly in terms of interaction and diversity and less in commercialization and research and development.

### 3.3 Modern State Strategies

The Greek economy should also become a modern state in line with the requirements of the international environment in which it operates. Three areas break down the priority for activating the strategic development policies of a modern state: Effective management of human capital in particular (Sect. 3.3.1), the strategic plan against corruption (Sect. 3.3.2) and finally the elaboration of a plan to combat major tax evasion (Sect. 3.3.3).

#### 3.3.1 Effective Management of Public Sector

The size of the Greek public sector is widely considered to be a major culprit in the long-term accumulation of deficits, which has led to the debt crisis that the Greek economy has been fighting in recent years. Thus, the reduction in the size of the public sector is always at the top of the list of public confrontation in the countries that are forced to undertake structural reforms to reduce their spending.

In many countries, governments have chosen to expand the public sector in order to be able to provide labor to their surplus workforce. However, this is an option that cannot be kept stable over time, but which is maintained for specific periods only and in order to meet specific needs.

The same happened regarding the Greek economy, as the Greek governments from 1980 onwards focused on absorbing the labor force which was unemployed by expanding the public sector. During this period, the Greek economy has seen an increase in the number of the unemployed, mainly due to the increase in immigrants, the general increase in population, participation of women in production, but also because of a change in the economy’s production model as large parts of the population have started to leave the primary sector and move toward employment in the big cities.

The modernization of public administration must therefore be based on the following rules and conditions:
– Completion of procedures for the evaluation of administrative structures and staff and the rational reallocation of staff.
– Recruitment of highly qualified new staff in priority areas (tax administration, independent regulatory authorities, areas of support for extroversion, etc.).
– Introduction of more effective procedures for serving businesses and citizens to enhance the country’s competitiveness and attractiveness for investments.
– Adoption of systematic procedures for assessing the quality and impact of legislative interventions, repeal obsolete or unnecessary regulations, simplification and improvement of the existing institutional framework, codification.
– Speeding up of procedures for the adoption of regulatory acts, presidential decrees and ministerial decisions.

A key pillar is the development of e-Government services:

– Modernization of public services and development of information systems.
– Increase the share of basic public services that are fully available online, develop and use modern and accessible online services (e-government, online health services, etc.).
– Development of applications for digital services to enterprises (e.g., tax transactions, transactions with insurance organizations, as well as government bodies).
– Development of digital services at regional level.
– Development of digital services for the citizen in a number of critical areas (public administration, health, education, etc.).
– Facilitate internet access, promote actions to support digital literacy and accessibility, increase the number of persons using the internet in their relations with public services, make full use of the possibilities offered by ICT.

3.3.2 Strategic Plan on Corruption

The issue of corruption is one of the most important problems for economies that do not rely on the functioning of markets.
The (at least) reduction of the phenomenon is a necessary condition for boosting the economy. The main conditions for this are as follows:

- Strengthening supervisory and control mechanisms to fight corruption and ensure accountability.
- Strengthening and tightening of control and supervisory mechanisms and practical proof of demonstration of zero tolerance in dealing with corruption, maladministration or opaque processes.
- Effective control and punishment should act as a deterrent.
- It is further important to assess the results of the audits, which also guides the need for additional reform interventions.
- The integrated provision of information in the field of justice is needed.
- Reduction on the complexity of the administrative mechanism and better services for citizens and businesses.
- Establish a National Action Plan against Corruption, with specific measures for tax administration, with the aim of improving the political, economic, social, and legislative environment through three pillars: Aversion, Training, and Prevention.
- Promotion and monitoring of the full implementation of transparency rules in the allocation process (Community, national, Local Governments) and in all other functions of the state, contributing to the effective and immediate fight against corruption.

### 3.3.3 Tax Fraud Elimination

In general, tax evasion could be considered to be concentrated mainly on two income groups: low income tiers and large income tiers. Both types of tax evasion are a problem in a well-ran state. However, the way in which they are handled differs.

With regard to the first category, the international practice mentions a number of established and tested methods:

- Gradual rationalization of the tax burden on individuals and businesses.
- Gradual consolidation of the importance of tax compliance.
- Ensuring an effective tax collection mechanism.
– Utilization of the broadening of the tax base by improving collection performance.
– Simplification of the system and fair sharing of the tax burden through a strict limitation of exemptions and special schemes, e.g., concerning the single property tax.
– Rationalization of non-contributory taxes in favor of third parties.
– Establishment of an autonomous and centralized structure, removal of bureaucratic networks of many small services regarding the contact with the taxpayer.
– Completion of computer/electronic interconnection with other government departments for cross-checking.
– Use of existing/hire additional qualified and specialized human resources.
– Providing of incentives for timely reporting and adhering to time schedules, for rigorous audits and sanctions for offenders, enhancement of liquidity with timely coverage of state liabilities, e.g., through automatic debt/refund netting.

However, particular attention should be paid to developing strategies to tackle major tax evasion.

The main methods set out in international practice relate mainly to three activities:

a. the development of an international information network;
b. the development of high-level domestic control mechanisms;
c. strengthening the independence of the administrative mechanisms responsible for capturing the tax evading taxable assets.

3.4 Politics and Geostrategic Issues

3.4.1 Policies and Trust

The Greek economy has been experiencing uncertainty and risks for almost the last two centuries. If someone observes the number of years from 1833 to 2020 inclusive (based on availability of data from Maddisson Project Database, version 2018, in which the Greek economy is experiencing a situation of recession, she/he will note that in 79 out of 187 years, the Greek economy has been experiencing recession conditions for its GDP per capita. In addition, only two brief internals would be identified as not subject to intensive inflationary pressures: The period of reconstruction after World War II and the Greek civil war, which lasted
until the first oil crisis (1953–1973) and the first decade of the Eurozone membership 2000–2007 (Petrakis & Kostis, 2020).

Indeed, while the economy had not been able to return to its production levels before the 2008 crisis, the onset of the Covid-19 pandemic came as another external shock in the Greek economy and society. As a result of these pressures, there is a high level of uncertainty combined with low levels of confidence in Greek society linked to economic, political, and social developments. Various forms of the impact of the lower degree of trust are related to extreme phenomena such as violent demonstrations, the surfacing of radical political ideas, parties with nationalistic and racist characteristics, and non-compliance with rules, regulations, and taxes (Ervasti, Kouvo, & Venetoklis, 2019). Indeed, as Ervasti et al. (2019) have pointed out, during the crises in the Greek economy between 2002 and 2011, the level of confidence in political institutions and in impartial institutions was decreased significantly. At the same time, it appears that individuals do not reduce the level of interpersonal trust among themselves but instead strengthen their interpersonal relations when economic and political institutions fail, thereby strengthening social trust.

Trust in political institutions cannot reach a high level, as the small number of people who govern a society or economy cannot have universal acceptance. At the same time, trust in political institutions is not something that can easily be built, broken and built again, since people in power cannot achieve such thing by applying one or two policies. However, political trust is seen as a key component of democracy, while without trust, social cohesion is reduced and the economic policy is conducted based on the risk-averse principle (OECD, 2013).

It is therefore important that the rulers inspire citizens’ confidence and take actions to strengthen national institutions. When there exists high confidence from the society to the government, individuals are more willing to invest in the economy, comply with the laws and pay higher taxes for the good of the society. In addition, social capital is reinforced, and compliance with social rules is strengthened.

But how can this be achieved? Strong and effective economic and social reforms and changes in electoral systems are the key, but it takes political trust to gain the consensus to take the actions needed for such significant reforms. However, failure to carry out reforms that strengthen political trust because it is difficult to do so is something that is morally unacceptable. Moreover, the effective functioning of existing institutions (e.g., schools, hospitals, local administrations, etc.) and transparency in the way
they operate and are governed are key to an improved level of political trust. Finally, strengthening social cohesion and social inclusion are also crucial concepts, as individuals should feel that they belong to society, help address problems and find solutions and that they all have equal opportunities.

3.4.2 Geostrategic Risk

Southeast Europe has always been a geographical area where there were strong economic and cultural convergences and conflicts. For Greece, the tension with Turkey is exerting pressure on the economic activity, since it is certain to exert increasing pressure on defense spending, etc. In addition, the assumption of possible oil deposits in Southeast Europe, including Cyprus is an issue that could trigger new tensions.

However, relations in Southeast Europe do not stop only in scenes of conflict. More significantly, it is an area for developing economic relations. Greece is one of the largest foreign investors and trading partners in a number of countries including Albania, Bulgaria, North Macedonia, Romania, Serbia and Bosnia, and Herzegovina. Obviously, this important exposure of the Greek economy from these economies was a major problem in the emergence of the 2008 global financial crisis, as the region was a source of economic instability.

At the same time, the emergence of the Covid-19 pandemic has also changed the situation in geostrategic terms, and its developments are inevitably expected to affect the Greek economy. As Ernst and Young notes (2020) the Covid-19 pandemic has led to new trends in globalization as in just a few weeks, Covid-19 has led countries around the world to close their borders, while multi-level governance organizations have failed to coordinate a global response to the pandemic.

On the issue of the pandemic, in the case of Greece, companies need to focus their attention toward their geographical strategy on areas such as the diversification of the supply chain. In addition, since both short- and long-term solutions to Covid-19 are technology-based, the effects of these changes on national security and the economy will accelerate and exacerbate the geopolitical nature of technological competition. Also all economic actors and those in government should, in addition to pursuing the continuation of their activities, monitor the situation and assess their
risk of exposure to the effects of the pandemic. As Covid-19 monopolizes interest and puts all geostrategic business and political issues on ice, targeting should be at the “next” stage of the new normality that will emerge when the pandemic is left behind us.

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