CHAPTER 6

Sustainable Governance

6.1 INTRODUCTION

The changes in the international economic system and in geopolitical power relations over the last decades have had a decisive impact on the ways in which states are now involved in shaping the economy. The globalization of markets, special competitions, the Covid-19 pandemic, new environmental and regional challenges, as well as the divisions emerging at socioeconomic and cultural level, redefine the role of the state. The current global economic crisis is also contributing to the adjustment of the state function in relation to the economy. Popular approaches to date, which have given priority to market mechanisms and their ability to self-regulate, are beginning to lose momentum. The conditions for a general consensus are gradually emerging on the new forms of regulation and action which the states are now called upon to take while simultaneously there are fears that overstaffing their role could threaten the privacy of citizens.

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. Let us not forget that institutions, as entities, in their capacity to evolve and enjoy broad acceptance and influence, by their very nature are
the most effective tools to address the biggest systemic problems, such as economic inequality, discrimination, and a reduced sense of justice within societies, the gradual elimination of natural resources, etc. If we are to be able to exploit these institutions’ potential as a society, then we must recognize the importance of good and sustainable governance and make them a political priority for the coming years.

The concept of sustainable governance promotes a long-term view of public policy in such a way as to take into account the interests of future generations. Some approaches, mechanisms, and frameworks make it easier than others to design and implement long-term policies with positive results in the future. For example, increased confidence in the political system and institutions and the conditions for political stability are more favorable to this. The focus on the longevity of policies and the consideration of the interests of the next generations stems from the international community’s assumption that current economic development in the current period should not hinder future development, nor should it pass on debts and problems to the coming societies.

This chapter aims to present the quality and sustainability of governance in Greece, highlighting many of the weaknesses that characterize it. A good effort to measure the quality of governance is the World Governance Indicators formulated by the World Bank from 1996 to today (Kaufman, Kraay, & Mastruzzi, 2009). The quality of institutions is measured using indicators such as voice accountability, political stability, government efficiency, regulatory quality, rule of law, and control of corruption. These indicators can reflect the performance of the Greek economy in a historical and comparative perspective and thus obtain useful conclusions on the quality of political institutions related to the sustainability of governance.

The quality of political institutions has a significant impact on economic growth. Policies that channel the social product to groups with a disproportionate political influence over others are contributing to the discrediting of the political system (Petrakis, 2011). In this way, any reform effort toward adapting an economy to the requirements of international competition is invalidated, while in the long term the potential for economic growth is restricted. The vicious circle is complemented by incentives for counter-productive and non-institutional economic action, as positive expectations are missing. The extent of tax evasion in Greece is a sign of the vicious circle. The crucial point, however, of the negative
impact of political institutions on economic growth is the redistribution of the social product.

The structure of the chapter is the following: Sect. 6.2 shows the evolution over time of the voice accountability indicator for the Greek economy compared to the OECD average, followed by the corresponding developments in the political stability (Sect. 6.3), government efficiency (Sect. 6.4), regulatory quality (Sect. 6.5), rule of law (Sect. 6.6) and control of corruption (Sect. 6.7) indicators.

### 6.2 Voice and Accountability

The voice and accountability indicator measures the extent to which citizens of a country are involved in the government’s selection process, as well as the degree of freedom of expression of associations and the Press. It reflects the perception of the extent to which citizens of a country can participate in the selection of their government, as well as freedom of expression, freedom of association, and free media.

This is essentially an aspect that expresses the existence of the problem of “representation” which has a significant impact on modern complex societies. This issue refers to whether those who represent the citizens in parliament adequately represent and effectively promote the collective interests of those who voted for them. The issue of representation is linked to the existence of a democratic system and its interconnection with the economic system and economic development, the role of elites and pressure groups, the cultural background of policy-makers and the role of the media.

With regard to the media, apart from the significant benefit of providing general information and entertainment, they inform society of (a) all the political events that are happening (policies being implemented, inform on laws in force or changing) either locally or globally, and (b) the profiles of the government members and their actions, to allow them to decide whether to re-vote or replace them. Also, the media have succeeded in educating the illiterate masses of the countryside and eliminate the distances that separate the place of residence of a member of a society from the centers of policy. For these reasons, media freedom is a reflection of the success of governance and the success of the democratic regime, making the system more accountable so that it can respond better and be citizen-friendly (Fig. 6.1).
While in this indicator Greece ranks the same as the OECD average up to and including 2004, it has since and until 2014 diverged significantly, while in 2015 and 2018 there is a significant recovery effort. For 2018, Greece with a score of 75.37, it ranks 29 among the 36 OECD countries (the OECD average score is 83.98), with only Latvia, Korea, Poland, Israel, Hungary, Mexico and Turkey getting a lower score. The highest values in this indicator are achieved by Norway, New Zealand, Switzerland, Finland, Denmark and Sweden.

### 6.3 Political Stability and Absence of Violence/Terrorism

The indicator of “political stability” measures the likelihood that the government will be destabilized by constitutional or violent means, including terrorism.

Especially in the case of Greece, political risk varies over time to a high level. Most research on the greatest risks to the Greek economy concludes that political instability and political risk are one of the greatest threats.
More specifically, according to a survey carried out by ALCO research company in 2016, in collaboration with consultants Fidel & Fortis Management Consultants, the five most important risks of the senior Greek companies are: (a) political instability (81%), (b) security-related threats (62%), (c) natural disasters (56%), (d) financing difficulties (55%), and (e) continuous changes in the institutional framework (48%). Also, according to Allianz Global Risk Barometer for 2019 (Allianz, 2020), the political risk is one of the 10 biggest risks to the Greek economy, and in particular to Greek companies. In addition, according to the Economist, political instability in Greece combined with rising unemployment and social tension was during the crisis the important factors that contributed to the increased risk of Greece leaving the Eurozone.

Figure 6.2 shows the evolution of the Political Stability and Absence of Violence/Terrorism indicator for Greece compared to the OECD average from 1996 to 2018.

While in this indicator Greece is ranked the same as the OECD average up to and including 2002, since then, at a peak in the year 2009, it has significantly deviated, while since then it has been relatively stable. Obviously, the overall performance of around 40 units throughout the
period of severe recession is very low, when the OECD average is around 70 units. For 2018, Greece with a score of 50 ranks 32 as among the 36 OECD countries (the OECD average score is 70), with a score higher than the UK, Mexico, Israel, and Turkey alone. The highest values in this indicator are achieved by New Zealand, Iceland, Luxembourg, Switzerland and Norway.

6.4 Government Effectiveness

The indicator of “efficiency of the state” measures the quality of public services, the ability of politicians to provide services, and independence from political pressures. It records perceptions of the quality of public services, the quality of public administration and the quality of its political formulation and implementation, as well as the credibility of the government’s commitment to announced policies.

Figure 6.3 shows the evolution of the Government Effectiveness indicator for Greece compared to the OECD average from 1996 to 2018. In this indicator, Greece has fallen significantly below the OECD average in all years, and since 2004 the diverging trend has been growing.

![Figure 6.3](source: World Bank [2019] and authors’ calculations and creation)
reaching a peak in 2012 and 2016. For 2018, Greece with a score of 65.87 ranks 34 as among the 36 OECD countries (the OECD average score is 84.98), with a higher score than Turkey and Mexico alone. The highest values in this indicator are achieved by Switzerland, Finland, Norway, Denmark, and the Netherlands.

Possibly, the data from this indicator may have improved since the Covid-19 crisis, which as it is generally accepted, its treatment served as a very good international good practice.

6.5 Regulatory Quality

The indicator of “regulatory interventions” measures the government’s ability to design and implement reforms and policies that strengthen and promote private sector development.

Figure 6.4 shows the evolution of the Regulatory Quality indicator for Greece compared to the OECD average from 1996 to 2018.

As in the indicator of governance efficiency, Greece has fallen significantly below the OECD average in all years, and since 2004 the diverging path is growing peaking in 2016. For 2018, Greece with a score of 64.42

Fig. 6.4 Regulatory quality—Greece vs OECD (1996–2018) (Source World Bank [2019] and authors’ calculations and creation)
ranks 34 as among the 36 OECD countries (the OECD average score is 86.07), with a higher score than Turkey and Mexico alone. The highest values in this indicator are achieved by the Netherlands, New Zealand, Australia, Sweden, Finland, and Switzerland.

### 6.6 Rule of Law

The rule of law indicator measures the extent to which citizens trust the laws of society, including the quality of property rights, police and justice. At the same time, it records perceptions of the extent to which the actors of the administration trust and comply with the rules of society, and respect the conventions (written and unwritten), on citizens’ rights in property, policing, justice, and the prevention of crime.

Figure 6.5 shows the evolution of the Rule of Law indicator for Greece compared to the OECD average from 1996 to 2018.

In this indicator too, the performance of Greece has been rather poor over time and even appears to deviate significantly from the OECD average over the period considered. While in 1996 the score was exactly at the level of the OECD average (close to 84 points) since then there

![Figure 6.5: Rule of Law—Greece vs OECD (1996–2018) (Source World Bank [2019] and authors’ calculations and creation)](

---

Fig. 6.5 Rule of law—Greece vs OECD (1996–2018) (Source World Bank [2019] and authors’ calculations and creation)
has been a steady deterioration, with the result that in 2017, Greece has obtained the lowest value over time (score 56.73). For 2018, Greece with a score of 59.13 ranks 34 among the 36 OECD countries (the OECD average score is 83.83), with a score higher than Turkey and Mexico alone. The highest values in this indicator are achieved by Finland, Norway, Switzerland, Sweden, and New Zealand.

6.7 Control of Corruption

Corruption is a transaction cost in the economic system (which is unrecorded). In international literature there are a number of studies analyzing the phenomenon of corruption, the diversification of which makes it difficult to choose a definition that fully reflects the concept. Corruption is generally defined as the abuse of public authority for private benefit. It is used by journalists and politicians as a general concept including all forms of abuse of power, whether in the public or private sector. It also includes nepotism or selfless policies that allow companies, politicians, civil servants, or business executives to evade accountability (Petrakis, 2011).

In recent decades, significant efforts have been made at global level to reduce and combat corruption by national governments and international organizations. The establishment of a specialized anti-corruption center (Anti-Corruption Knowledge Centre), the creation of transparency committees in all countries at a rapid pace, pan-national investigations and the establishment of a special international anti-corruption committee are key instruments in the global strategy for highlighting and combating this phenomenon. However, achieving this objective requires it to be measured to diagnose problems and assess the results.

Corruption is mainly measured by research using questionnaires. It is easy to see that any attempt to measure corruption cannot be accurate and successful. However, as a result of anonymous questionnaire completion, it can provide an approximate picture of the phenomenon in each country.

The existence of corruption requires the presence of specific conditions. For the existence of corruption, there is a need for a society to take such action and for the conditions to either encourage or simply allow such events. For example, when bureaucracy creates delays and heavy costs for citizens, while the institutional framework for control and penalties is not strict and effective, citizens are easily motivated to find non-institutional methods for settling their obligations/operations.
The absence of effective sanctions in the event of infringements and widespread lawlessness in the functioning of the State are detrimental both to the rights of the citizen and to public interest.

The World Bank’s corruption indicator measures the extent to which public power is exercised to obtain the same benefit, including both small and large forms of corruption. This is a measure of the perception of the country’s ability to control all kinds of corruption, and the extent to which the public sector is controlled by private interests, making the exercise of power ineffective and inefficient.

Figure 6.6 shows the evolution of the Control of Corruption indicator for Greece compared to the OECD average from 1996 to 2018.

In this indicator, Greece’s performance is fairly problematic over time and even appears to deviate significantly from the OECD average over the period considered from 1998 onward. Since 2012, there has been some stability, while in 2018 there has been little improvement. For 2018, Greece with a score of 55.77 ranks 34 among the 36 OECD countries (the OECD average score is 81.44), with a score higher than Turkey and Mexico alone. The highest values in this indicator are given by Finland, New Zealand, Denmark, Sweden, and Norway.

Fig. 6.6 Control of corruption—Greece vs OECD (1996–2018) (Source World Bank [2019] and authors’ calculations and creation)
REFERENCES

Allianz. (2020). *Allianz Risk Barometer 2020 (Appendix for 34 Countries)*. Munich: Allianz Global Corporate & Specialty SE. Retrieved from https://www.agcs.allianz.com/news-and-insights/reports/allianz-risk-barometer.html.

Kaufmann, D., Kraay, A., & Mastruzzi, M. (2009). *Governance Matters VIII: Aggregate and Individual Governance Indicators 1996–2008*. Washington, DC, USA: World Bank Working Paper.

Petrakis, P. E. (2011). *The Greek Economy and the Crisis: Challenges and Responses*. New York and Heidelberg: Springer.

World Bank. (2019). *The Worldwide Governance Indicators*. Retrieved from https://info.worldbank.org/governance/wgi/.