CHAPTER 5

Policies for Pro-growth Social Behavior

5.1 INTRODUCTION

Greek society was particularly affected by the recession that hit the economy over the last decade. These conditions influenced not only the Greek social environment but also the political trends of society and economic behaviors, thus shaping the process of the cultural evolution of the Greeks.

In order to be able to determine the Optimal Growth Strategy of the Greek economy, the main trends that dominates the society must first be identified. This chapter presents policies that could change the behavior of Greek society and these trends.

The structure of the Chapter is as follows: initially, in Sect. 5.2, nudge policies are presented, that is, policies that could be implemented by economic policymakers in Greece, in order to improve society’s confidence, encourage collective action and expose individuals to new ways of thinking (alternative experiences) that extend their intellectual boundaries. Section 5.3 presents policies that could affect behaviors related to saving and investment, fertility and child-bearing issues, and society’s expectations. Finally, Sect. 5.4 describes policies to attract talented people to employment in the productive fabric of the Greek economy.
5.2 Nudge Policies

One of the most discussed contemporary ideas in policymaking is to influence people’s choices without coercing them by improving the “architecture” of their choices. Goyens et al. (2018) state that these are interventions that protect the freedom of choice for society, but that also steer people in certain directions. According to Thaler and Sunstein’s definition (2008) nudge is “any aspect of the choice architecture that alters people’s behavior in a predictable way without forbidding any options or significantly changing their economic incentives” (p. 6). Also, Sunstein (2015) notes that to qualify as a nudge, an intervention must not impose significant material incentives (including disincentives). According to this point of view, a subsidy or a tax are not a nudge, since a nudge must fully preserve freedom of choice. As Sunstein (2015) states, “some nudges work because they inform people, other nudges work because they make certain choices easier, still other nudges work because of the power of inertia and procrastination” (p. 417).

In order the behavior of individuals to evolve, public authorities traditionally have four types of tools: information and awareness, economic incentives, legislation (prohibition or obligation), and exemplification. However, these four tools have reached their limits, especially in terms of responsible behavior and consumption (Libaert, 2016). Indeed, there is often a divergence between the awareness of citizens and their everyday behavior. The nudging is a fifth tool aimed at the design of “choice architecture,” highlighting the choice that is considered beneficial to the individual and/or society, without modifying the number or nature of the options available (Libaert, 2016). It is about encouraging the consumer or the user toward a choice that is considered better. It has three features: absolute freedom of choice for individuals, simplicity of application, and limited intervention costs.

The interest of the authorities of some countries in the nudge is growing, because this practice has two significant advantages: it does not restrict individual freedoms and has a limited cost, while its impact can be significant. Therefore, it can be a complementary tool in the context of public policies aimed at making individual behaviors more “responsible” in terms of health, environment, etc. As for the individual, the nudge provides him with a simplified choice that facilitates decision-making.

Behavioral economics considers that people do not behave in a perfectly rational way, introducing into the analysis elements from other
social sciences such as psychology and sociology. According to the World Bank (2015) report, World Development Report: Mind, Society, and Behavior individuals make decisions in the following ways:

1. First, a large part of their decisions is made automatically and based on what comes to mind without further thought. In other words, individuals use patterns of ideas that come mainly from past decisions, while at the same time they operate through mental shortcuts. They are therefore based on a narrow framework that can lead to unrealistic approaches to reality. The above contradicts the view that individuals consider all possible choices/ consequences of an act.

2. Secondly, individuals think within the framework of the broader rules imposed by their social environment. They have innate traits such as altruism, cooperation and reciprocity and are influenced by the networks of their communities. Therefore, their preferences and decisions are influenced by what other people think, expect and do. In addition, social recognition and the power of social motivation (social status/reward) has huge complications in decision-making and behavior.

3. Third, individuals do not respond to an objective experience, but to mental representations derived from the experiences and cultural/spiritual model in which they live. People have access to multiple and often conflicting intellectual models that offer them interpretation of the world and include concepts, stereotypes and worldviews. Therefore, what individuals perceive and how they explain it depends on the context in which they see the world around them. Most intellectual models in a society are common experiences that can be passed on to subsequent generations having the characteristics of persistence and inoperability (World Bank, 2015).

From the above it becomes obvious that even details that seem as irrelevant (regarding how a situation is being presented) can affect people’s perceptions, as they tend to make decisions in the light of limited information, thinking in a non-rational way. Thus, small changes of situations can have a large effect on behavior and on the achievement of policy goals. Policymakers must take into account the seven principles that characterize human behavior. These are: (a) the behavior of other people affects the
behavior of the individual (the person copies, observes, realizes something that seems acceptable), (b) habits are important and difficult to change, (c) individuals are motivated to do something that they consider to be “right,” (d) expectations affect people’s behaviors (their actions are in line with their values and commitments), (e) individuals are loss-averse, (f) individuals find it difficult to make calculations when making decisions (they cannot calculate probabilities and are not worried about unexpected events), and (g) in order to make a change, individuals want to feel involved and effective in this process.

In this context, the role of Choice Architect (CA) is particularly important. A CA is anyone who can organize the context in which individuals’ decision-making is determined (Thaler & Sunstein, 2008) by presenting a set of options and making a choice more attractive or easier to choose (in relation to its alternatives).

Governments are not the only agent that tries to influence the choices individuals make. For example, lenders and banks frame the compositionality of their loan packages by making them more attractive. Elites, of all kinds, use unofficial rules to shape public opinion for the benefit of the groups they represent. Hence, several interested parties are trying to exploit people’s tendency to think automatically for their benefit. At this point the question is reasonably raised: should governments intervene and act as CA?

According to conventional economics, the main causes for which a government can intervene are cases where the market fails to function effectively. But the government has another reason to intervene, when social practices and the wider social context lead individuals to a state of perpetual poverty and underdevelopment. Since decision-making is often based on more accessible information—influenced by social/intellectual models—the preferences of individuals and their immediate goals do not always promote their own interests. In addition, social practices may not promote well-being and lead individuals to low expectations/ambitions (due to pessimism, social discrimination, and inequality).

Based on the above, the political interventions of the Greek government should aim at improving trust, encouraging collective action and finally exposing individuals to new ways of thinking (alternative experiences) that extend their intellectual boundaries (such as female leadership). In addition, policymakers should take into account that the role of incentives is more complex than is generally recognized, since social incentives may be more powerful than economic ones. Recognizing this
can lead to the understanding why specific policies fail and to develop policies and interventions that promote poverty reduction and prosperity.

But how can the Greek government function as CA? Firstly, the main component of the formulation of options is through their simplification. Simplifying the choice environment can help individuals to make choices to their advantage, as the variety/complexity of choices can lead them to avoid/postpone a decision or make the wrong choice. This has important implications for policymaking.¹

Secondly, the Greek government can act as CA through nudge policies. These policies aim to change the behavior of individuals without actually changing the set of choices. They do not prohibit or reward any choice. Instead, they turn individuals toward a specific choice (Thaler & Sunstein, 2008). For example, if the government’s goal is to increase the consumption of healthy foods, banning unhealthy foods is not a solution. On the contrary, a policy that requires stores to place healthy products on shelves at the level of customers’ eyes or near the cash register is a “push” for the latter to choose them.

In general, it is necessary for Greek policymakers to be encouraged to use nudge policies in public policy, in order to achieve their implementation at the lowest possible cost. These policies should be used in the context of measures that serve predetermined collective objectives, but for which the traditional tools of public policies are ineffective or costly. Great emphasis should be placed on the impetus that serves environmental and social objectives, such as energy transition, combating waste of resources and social well-being. For the wider use of nudge policies it is necessary to specify the general conditions for the use of triggers in order to reduce their negative effects and to ensure their ethical acceptance, and it is appropriate to apply information procedures on the use of the different types of nudges in order to ensure their transparency for the recipients.

However, nudge policies have come under intense criticism regarding their “moral” dimension. According to Schubert (2016) in the context of the evaluation of these policies the following questions are asked:

- Do they actually increase the well-being of individuals? This question stems from the inability of behavioral economics to provide a widely accepted definition of well-being.
- Do they affect the autonomy of individuals? Does the simplification of the set of choices eventually results to the manipulation of the freedom of choice?

¹
Do they affect the integrity of individuals? A fairly effective nudge policy has been shown to be the policy of promoting post-mortem organ donation, a pole with which the argument of integrity breach may be contradictory (Smith, Goldstein & Johnson, 2013).

5.3 Social Behavior

In Greek society some characteristics are identified as dominant population trends (see Chapter 8 in Petrakis and Kostis, in press). These are the lack of trust, the protection of in-group collectivism, the uncertainty avoidance, the strong role of the Orthodox religion, the performance orientation, and the non-acceptance of inequalities.

The main effect of the above characteristics is the fixation on what is familiar, the lack of competition and control, the prevalence of paralysis from uncertainty and anxiety to assume risky (in their opinion) positions and finally the lack of trust. Also noted is the prevalence of a strong loss aversion behavior (hence the support of the status quo) the denial of uncertainty and risk taking, the protection of in-group collectivism and the role of the family and the intense role of Orthodox Christian perception. At the same time, there is a desire for all individuals to have the same opportunities and it seems that the concept of efficiency as an attitude of life seems to be something that leads to the desire to improve the position of citizens in a context of lack of trust. Also, there is a prominent political and social trend in society that contains certain elements of Euroskepticism and a disposition to protect national sovereignty. At the same time, it tends to defend the conquests of the standard of life which it possesses, or possibly that which it has been able to maintain, or is certain to come, and should maximize it rather than risk it.

But there is another serious distinction of attitudes in society: the distinction is formed by the bipolar forces that influence human behaviors: the problematic economic situation (economic have-not) or (and/or) a cultural backlash behavior. The distinction refers to whether citizens take into account and vote on the basis of their economic poverty (actual and/or comparative) or on the basis of their reaction to evolutionary cultural change. It should be noted that these two hypotheses have been used to interpret the support of populist parties worldwide and are the most serious political platforms for the prevalence of populist political parties and forming policies with wide resonance.
Permanent cultural backlash behavior is strengthened by issues such as the Macedonian and the post-Civil War aftermath, while loss aversion behavior is strengthened by a nostalgia for the past economic level of prosperity and the preservation of upcoming positive economic developments (recovery) if combined with reduced levels of taxation. On the contrary, the shaking up of issues related to issues of corruption addresses the cultural characteristic of lack of trust and loss aversion (favors existing governance).

The suspicions about the prevalence of permanent cultural backlash behavior are reinforced by the fact that in advanced Western societies a post-materialism now prevails in the social and political scene where the economic situation is not the primary issue that concerns citizens.

The world (first the USA, then Europe, and then Greece) is moving toward a post-materialistic period where economic issues have a secondary importance after the improvement of economic conditions due to the impairment of the consequences of the 2010 crisis. That is why political conflicts should be expected to be in this field: loss of place in society, refugee, terrorism, etc. In Greece, however, economic issues still concern citizens with priority even though they show a tendency to impairment. Hence, in Greek reality there is a projection of the “economic have-not” hypothesis but also there is the intense presence of “loss aversion” along with the “cultural back lash hypothesis.”

The behavior of citizens toward key economic and social issues is important for the formulation of economic policy for three main reasons:

- Economic policy is based on policies that are primarily concerned with the efficiency of the economy and secondly with the distribution of income (taxes). But economic policy is shaped by a party based on its program commitments. Its program commitments correspond to the needs of the citizens it represents and the goals set by its political leadership to serve.
- When an economic policy is implemented, citizens adapt to it, either by implementing its effects, or by adapting and possibly neutralizing it, etc. Thus, citizen’s opinions on economic issues are crucial.
- Knowledge of the political preferences of the target audience by policymakers and political parties ensures the formation of the political approach of society based on the important characteristics of its
behaviors. Of course, this is where the value of the role of the political vanguard comes in, so that the party’s positions are not a mere reflection of the views of the target audience.

Social psychology suffers in times of crisis and recovery from crises. The effects of these two situations will be traced to social trends and behaviors for many years to come. Under certain very rare conditions, a crisis and recovery from it can be a starting point for a new start. However, usually crises and recoveries from them create traumas that accompany the manner of making decisions in the future.

Actually, there is a very serious part of citizens’ perceptions (and changes in them) about economic policy. In fact, a new phenomenon is not observed in Greece: the trend that tends to prevail in Greece is similar to that already prevailing at the European level and which prevailed—at least ideologically in the United States with the election of Donald Trump—and it is composed of two main elements: (a) a tendency to return to national sovereignty (anti-globalization, anti-migration), and (b) a tendency to accept the need to improve the efficiency of the functioning of the economy that is closer to the perception of increasing the potential of the economy’s supply than to the views of strengthening active demand.

In terms of social behavior in Greece, the predominant points are the prevalence of a strong loss aversion behavior (hence the support of the status quo) the denial of uncertainty and risk taking, the protection of in-group collectivism and the role of the family, and the intense role of Orthodox Christian perception. At the same time, there is a desire for all individuals to have the same opportunities and it seems that the concept of efficiency as an attitude of life seems to be something that leads to the desire to improve the position of citizens.

The above observations lead to the conclusion that there is or is forming a prominent political and social trend in society which contains certain elements of Euroskepticism and a disposition to protect national sovereignty while at the same time tending to defend the achievements of the standard of life which it has or possibly what it has managed to maintain.

Below we analyze three issues that are closely related to the behaviors of Greek society, and which political actors can perhaps influence with the conduct of economic policy. These are behaviors regarding savings and investments, behaviors around fertility issues, and issues related to expectations in Greek society.
5.3.1 **Savings and Investment Behavior**

Actions related to savings and investment behaviors should be both on the demand side and on the supply side in order to mutually reinforce each other (Palenzuela, Dees, [eds.] & the Saving and Investment Task Force, 2016). These could include:

- a series of structural reforms, including actions such as policies to strengthen the business environment in order to remove probable restrictions on investment;
- improving access to finance;
- macroprudential policies to help to achieve an economically sound allocation of savings;
- fiscal policies since enterprises are more inclined to invest when there is confidence and certainty about the medium-term fiscal path, while given that Greek economy has deficit, Greek government can provide to an increase in national savings by continuing their fiscal consolidation process;
- nudge policies, in order to increase savings through psychological interventions, which—in the case of a corporate retirement savings framework (employees accept to withhold an amount from the monthly fee)—are considered, for example, savings goals and savings limits (maximum possible contribution or minimum contribution subsidized by the employer)\(^2\); and
- further development of financial literacy of society, since financial education programs can help improve saving and financial decision-making (Abebe, Tekle, & Mano, 2016; Lusardi, 2008).

5.3.2 **Fertility Behavior**

In Greece during the last decades fertility has been severely restricted, resulting in the reduction of total number of births (see Petrakis & Kostis, in press). This is mainly due to the improvement of the role of women in Greek society with main expressions the participation of women in education and in the labor market, trends that appear to be negatively related to fertility. Women born after the end of the nineteenth century have fewer and fewer children and do not ensure their reproduction. At the same time, any postponement of births for later due to the adverse socio-economic conditions of the generations that in the years of crisis
were found at the ages of 25–35 (that is, women born from the mid-80s onwards) will likely lead to an acceleration of the trend of reducing the number of children, due to the reduction of both the allocated reproductive time and the biological capacity for conception. These conditions are expected to result in the even smaller number of children that women born after 1985 are expected to bring into the world. At the same time, the trend of increasing the percentage of women who never have children continues for the generations born after 1965, as does the shrinking of large families, while the Greek population is progressively aging and life expectancy at birth has significantly increased. The above developments are expected to bring a heavy burden to the Greek insurance system.

Thus, economic policies should be implemented in Greek society that reverses this perspective on the development of the Greek population. Initially, it is necessary to implement policies aiming at strengthening the family, such as support for families in poverty, financial transfers and tax breaks for parents with children, support for access to work, and the employment of people with family responsibilities, the possibility of leave from work on the grounds of obligations related to children. In addition, the goal should be gender equality, reconciliation of work and family life, and the creation of an environment of equal participation of parents in the upbringing of children.

The ultimate goal of policies around these issues is to allow women to reduce employment in the critical years after the child’s birth, but without being alienated from the workforce. Also, to facilitate working mothers and reduce the negative impact of female employment on fertility. Finally, to provide incentives to many non-working women who would like to work but because of incompatibility with their family obligations are reluctant to join the workforce (Balourdos, Demertzis, Pierrakos, & Kikilias, 2019).

It should be noted that one of the effects of the Covid-19 crisis worldwide is the reduction in births. This will exacerbate the fertility crisis that is already being felt.

5.3.3 Expectations

The way expectations are formed is one of the main “carriers” of cultural elements in economic behavior. If the whole society believes that the country will go bankrupt, it will take a huge effort to prevent this. If the less favored make up a majority, they view their economic future with
pessimism. Thus, a model of liberal democracy prevails, where the present value of their present lives is small and, therefore, it is of no importance to invest in knowledge, and in job-finding efforts. In this case, the long-term unemployed are increasing and structural upheavals are magnified, removing any momentum in a prospect of exit from the crisis.

However, the way expectations are formed is one of the most important issues of the organization of economic theory itself, in extension of the possibilities of interpreting and predicting reality and by extension of the perspective of the organization of the exit from a crisis.

In addition, predictability creates expectations. When, however, expectations concern whole societies, such as the Greek, then society orients its action accordingly. However, in order to properly assess the refutation of expectations, absolutely rational thinking and important knowledge is required that is not usually available on a wide scale. Therefore, the systematic refutation of expectations has wider disruptive effects on social cohesion and on the activation of the creativity of societies.

For the above reasons, the formulation of estimates and forecasts for the course of an economy, including the Greek one, is a process of paramount importance as it is directly related to the adoption of policies of evolution and development of the economy and prosperity of citizens.

If, however, today we are able to formulate predictions relating to the Greek or any other economy, even under normal conditions, then what is the point to exercise a policy that will seek the achievement of specific objectives? The answer relates to two levels: the first is that the existence of “normal conditions” should have been ensured, something that is not given, since there is no automatic production of expected results, but it requires effort to be realized. The second is that in this condition it is quite possible to raise the issue to “overrun the trend,” that is, how the economy will exceed the predicted trend of normal conditions.

5.4 Attracting Talents

In Greece during the 2008 debt crisis there was a net outflow of educated workforce (brain drain), as Greeks with high qualifications of education and specialization migrated abroad (mainly to countries of the European Union and North America but also in more than 70 countries around the world). The outflow of scientists leads the country into a vicious circle of limited development and points out that the phenomenon in Greece is beginning to remind the great migration of graduates from Europe to the
United States after World War II (Labrianidis, 2011). Those who leave country usually have multiple degrees, master’s and doctoral degrees, and find jobs on the subject of their studies. The main cause of this phenomenon (brain drain) is the large discrepancies in earnings and the mismatch of the level of education with the level of income. However, this phenomenon appeared to be due not only to the crisis itself, but also to the absence of enterprises that need qualified personnel.

The problem therefore seems to be mainly due to the structure of the Greek economy, which does not create a demand for human capital of high educational level. The research of the Regional Development and Policy Research Unit of the University of Macedonia (Labrianidis, 2011) shows that 60% of the sample decided to leave Greece or stay abroad without even looking for a job in Greece. It should be noted that, in the case of Greek graduates abroad, 91% did not even seek employment in the Greek labor market.

The mobility of employees has led the country to not only lose their contribution to productivity but also the country’s investment in their highly skilled education not paying off, as when their training is over, they leave and contribute to the productivity of other economies.

Scientists who migrate are trained in foreign countries, acquire know-how, professional experience, and acquaintances that will be valuable tools when they decide to return. In Greece this could lead to a productive improvement of its human potential.

Understanding issues of immigration is critical to understanding the future of education, whose role is particularly important. Even in times of economic crisis, funding programs for young people and education should not be considered a cost to be paid in the present but an investment for the future. Higher education has to be more linked and balances with the special needs of the Greek economy. After that, they should then be interconnected, through appropriate curricula that provide students with the skills and abilities needed for the society and economy of the future.

As for other actions that could be done to attract young talented Greek or foreign scientists living abroad, it is the issuance of a visa for entrepreneurs, employees, and investors in order to make the decision on their return easier, but also the development of a program to maintain contacts with Greek scientists abroad.

Finally, in order to attract talents the Greek economy could: (a) improve the quality of education and research and development, allowing for connections with students and scientists from abroad; (b) better
connect the graduates from higher education with the labor market; (c) regulate the immigration policy, in order to attract well qualified scientists from abroad; and d) with actions that could improve the attractiveness of Greece as a place to live.

Notes

1. For example, the political intervention that simplified the voting process in Brazil had very important social results. Elections in Brazil were conducted through paper ballots, on which voters filled in the name of the candidate of their choice. But as only about 60% of voters had partially completed primary education, less than 70% of voters filled out the ballots correctly, resulting in the rest being deemed invalid. In early 1998, Brazil changed the voting system. The new system required voters to fill in the candidate’s number using a simple keyboard, while when the voter filled in the number, the candidate’s face appeared on the screen. The voter would confirm his choice by pressing a green button or cancel it by pressing the orange button. When Brazil simplified electoral procedures, more people—who were illiterate (either fully or partially)—were able to vote valid ballots at the ballot box (the decline in invalid votes immediately fell to 11%). Thus, with the increase in the influence of the poor sections of the population on the electoral process, more candidates from friendly parties were elected, which led to (World Bank, 2015) an increase in government spending on public health by 34% within 8 years, an increase in the percentage of illiterate women visiting the doctor before pregnancy by 20%, and an increase in the health of newborns (a 6% decrease in low-weight infants).

2. Choi, Haisley, Kurkoski, and Massey (2012) demonstrated that if saving cues are used in the e-mails that employees receive to participate more actively in the savings plan, then savings contributions will increase.

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