8.1 Introduction

The primacy of politics over economics demands the identification and observation of the most important political changes and trends, given that they directly affect decisions of economic development. There are three major issues that have prompted changes in the political maps of most countries, without these shifts always being clear.

The first issue refers to the income and wealth redistribution in favor of the rich, a fact which increases social inequalities (Sect. 8.2). The second one (Sect. 8.3) deals with the role of growth, privacy, and a move in the position held by the middle-class in society. It should be noted that these changes have a different direction in the Western world, when compared to the East.

The third issue (Sect. 8.4) concerns shifts in social behavior associated with complex and altering causes, such as the level and change of wealth and income, globalization, changes in age, and in general trends described in the previous two chapters. In the following section (Sect. 8.5), is analyzed the way in which political behavior evolves in modern changing societies.

It should be noted that all of the observed and existing above trends differentiated strongly by the Covid-19 crisis. Thus, the last part (Sect. 8.6) of the chapter focuses on the effects Covid-19 has on both political and cultural level.
8.2 **Inequality and Social Mobility**

The theoretical foundation of bonding between economic and political institutions, income distribution, and resources produced in an economy is an issue that by definition seems self-evident, but in reality, is very difficult to demonstrate empirically. The issue of income and resource distribution is directly linked to the system of political institutions.

It is easy to understand that a political structure supports specific political forces, which then enjoy the benefits of their dominance (Alesina & Perotti, 1996). At the same time, it has been proven that the concept of democracy, as a political institution, is closely linked to income distribution (Acemoglu, Johnson, Robinson & Yared, 2008; Herwartz & Theilen, 2014; Perotti, 1996). This happens either directly, in a legal manner (e.g., income policy that is passed into law), or indirectly, via procedural interventions (e.g., ways of representation and strikes decision process).

On the other hand, at any reference to economic institutions, it makes easy to understand their role in the income and resources (tax system, insurance system, etc.) redistribution. And yet, it is not easy to extract empirically confirmed judgments, for example, on the way financial systems are being developed and on issues of wealth distribution.

It is clear, however, that systems based on bank-centric development are more likely to prefer a redistribution resource system in favor of financial capital. In contrast, systems that rely more on the direct markets functioning result in effects that favor shareholders wealth (Allen & Gale, 2000; Rajan & Zingales, 2001).

Revenue redistribution takes place through different mechanisms and is mainly influenced by fiscal policy. Attention must be drawn to identify policies that are most suitable in efficiently improving income distribution and to the politicians who support them (Frankel, 2014). Income redistribution mechanisms are divided into:

- transfer payments (unemployment benefits, disability benefits, social security programs, pensions);
- progressive taxation, through which higher levels of taxation are imposed on higher incomes; and
- public provision of social services, mainly in education and health.
Although taxes and social transfers have a direct impact on income distribution, the public provision of social services is an indirect redistribution method with a more long-term and qualitative character.

Income inequality has increased worldwide in recent years, mainly as a result of technological progress, globalization, and the liberalization of the labor market (Teulings, 2014). The increase in inequality was even greater due to the 2008 global financial crisis (Hellebrandt, 2014), while at the same time, the opposite does not seem to be the case, as we cannot blame inequality on the global crisis (Bordo & Meissner, 2012).

In reality, fiscal consolidation policies appear to have significant distributive effects, widening inequality, reducing the share of income from wages, and increasing long-term unemployment (Ball, Furceri, Leigh & Loungani, 2013).

Barry Eichengreen identified, in a 2016 speech in Lisbon on the issue of inequality (as cited in de Long, 2016), six similar historical phases in the last 250 years: (a) The increase in Britain’s income inequality from 1750 to 1850, where profits from the British Industrial Revolution did not go to the poor but to the middle-class of the cities and the countryside. (b) From 1750 to 1975, income inequality spread worldwide as profits from industrial and post-industrial technologies were not equally shared to all. (c) From 1850 to 1914, living standards and labor productivity levels converged in the global North, as 50 million people left Europe to settle in places with abundant resources, transferring institutions, technologies, and capital. (d) From 1870 to 1914, domestic inequality increased in the global North, as entrepreneurship, industrialization, and financial manipulation channeled new profits mainly to the wealthy. (e) From 1930 to 1980, higher taxes on the wealthy helped to provide benefits and support public programs. (f) From 1980 till present, economic policy choices have again resulted in increasing inequality in favor of the global North. The arrival of Covid-19 crisis affects income and wealth inequality, exacerbating the phenomenon.

The degree of inequality in the case of the Greek economy compared to the Eurozone countries for the year 2018 is presented, through the Gini coefficient index, in Fig. 8.1.

In recent decades, growing global inequality is reflected in the significant cut in labor share seen in most countries (Karabarbounis & Neiman, 2014).

The decrease in labor share is combined with increased income inequalities for two reasons (Dao, Das, Koczan & Lian, 2017): (a) low skill
workers have been burdened with the drop in labor share, while there are indications of reductions in professions that require intermediate-level skills and income cuts to middle-skill workers in developed economies, (b) capital is mostly concentrated in high-income groups and, therefore, the income increase from capital tends to increase income inequality.

The decline in labor share taking place to a large extent in developed economies may be due to technological progress, which is accompanied by a sudden drop in the relative price of labor, in combination with the emergence of professions that do not involve repetitive routine tasks—something that seems to have a greater impact on gains for middle-skilled workers. In developing economies, the decline in labor share may be mainly due to the global integration process and, in particular, to the expansion of global value chains that contributed to higher capital intensity production.

Income inequality may be of concern to members of a particular society or between societies themselves. It is an issue with an ethical and economic dimension, having a philosophical basis which assumes that the earth’s common, to all residents, resources are ultimately used for the production of income and wealth. As a result, the question which is raised concerns as to whether parts of wealth generated have been fairly distributed and how, and to what extent, is it fair to differentiate.
In addition to the ethical dimension, there is also a developmental issue, which is expressed by the question concerning the causal relationship between the income and wealth distribution and growth itself (Cingano, 2014). Despite the vast bibliography on the relationship between inequality and development, there are no clear indications at an empirical level as to whether inequalities’ existence have a positive or negative effect—and to what extent—on growth rates.

At the same time, it is very likely that there are forces being developed in the political system fueled by the growing income and wealth redistribution, which may have the tendency to maintain and influence the distribution itself and, ultimately, the potential for economic growth.

However, this approach is only partially valid. While the rich are getting richer in developed economies, developing countries are growing faster than developed ones, thus reducing global inequality (Fig. 8.2). As a result, Gini coefficient is expected (Hellebrandt & Mauro, 2015) to decrease worldwide from 65 in 2013, to 61 in 2035—it stood at 69 in 2003—albeit it is not clear from the characteristics of the Covid-19 crisis whether this long-term trend will be prevented. And while income paid globally to higher echelons (90th percentile) in 2013 was 31 times higher than the lowest echelon (10th percentile), this ratio is expected

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*Fig. 8.2 Annual changes of the Gini index worldwide (Source: Bruegel [2019] and author’s own creation)*
to decrease in 2035 to 24 times higher. Of course, this global improvement is expected on the condition that inequality within countries will not increase at an unprecedented rate.

In 2013, 40% of those at the lowest decile (decile 1) of the world’s income distribution, were in Sub-Saharan Africa, more than 30% were located in India, 15% in China, and the rest largely in East and South Asia and the Pacific region. Almost 80% of the top decile (decile 10) was located in the advanced economies, with about 10% in China and the rest distributed mainly in the countries of Eastern Europe and Central Asia, Latin America, and the Caribbean as well as East Asia and the Pacific.

A reduction in income inequality is thus observed as: (a) the share of developing countries to high-income levels is being increased; (b) for developed European Union (EU) and Organisation for Economic Co-operation and Development (OECD) countries, Eastern European, Central Asian, Latin American and Caribbean countries, there is a shift in population numbers to lower income levels; and (c) for developing countries (mainly China, India and East Asian and Pacific countries) there is a shift in population levels toward middle and higher income levels. The only area where income inequality is expected to worsen is in Sub-Saharan Africa, where due to the low growth rate of its core economies, its share in low-income groups is expected to significantly increase in 2035.

In contrast, the development of income inequality within countries has varied, especially in some advanced economies, where low and middle incomes have been declining or stagnating, inequality has increased.

The unequal distribution of income is, of course, naturally linked to the unequal distribution of wealth. The unequal distribution of wealth (after taxes) is, on average, twice than that of income (Balestra & Tonkin, 2018). In OECD countries, the richest 10% of households own 52% of the total wealth, with their respective share of income distribution being at 24%. The countries with the highest wealth inequality are United States followed by Denmark and Netherlands, while those with the lowest are Slovakia and Japan. In Greece, 10% of the richest groups held 38.8% of total wealth in 2009, with this percent rising to 42.4% in 2014 (Balestra & Tonkin, 2018).

In regard to households with the lowest levels of wealth, this does not necessarily mean that they are poor in terms of income. Nor that they have no have assets, as in the cases of Netherlands, Denmark, Norway, and Ireland. Households are found to have low levels of wealth (in levels below 20%), combining high reserves of assets with high debt levels.
After the 2008 financial crisis, wealth inequality in United States and United Kingdom increased (Balestra & Tonkin, 2018), as falling prices and lower real estate returns, along with the rising prices of financial assets, benefited those with higher levels of wealth.

Rising inequality rates increase the risk of poverty in societies. In Greece, the percentage of people at risk of poverty (after social transfers) increased, as expected, after 2008 by 3 points, but at a decreasing pace as of 2013. Specifically, in 2018, was 18.5% (for per capita incomes below 4718 euros per year) and is estimated to relate to more than 760,000 households, or the equivalent of 1,954,400 people (Hellenic Statistical Authority [ELSTAT], 2019). The corresponding rate before social transfers and pensions reaches 50%.

Figure 8.3 indicates the number of people at risk of poverty in Greece and the EU-28, presenting absolute numbers for the period 2003–2018.

In Greece, from 2009 to 2012, the number of people at risk of poverty increased significantly, while from 2013 to 2018 it fell considerably. In the EU-28, from 2006 and for about two years, the number of people at risk of poverty increased and kept increasing until 2018, excepted the years 2013 and 2017 (Fig. 8.3).

**Fig. 8.3** People at risk of poverty in Greece and European Union: 2003–2018 (thousands) (Source Statistical Office of the European Communities [2019b] and author’s own creation)
More than $1/3$ of the world’s population, with an income above the poverty line, is economically vulnerable, meaning that they are unable to cope financially with a sharp loss of income (Balestra & Tonkin, 2018). In Greece, this ratio exceeds $1/2$, ranking among the highest among OECD countries.

With income inequality and wealth being one side of the coin, developments in social mobility are on the other side. Intergenerational mobility is socially important, both from a justice and an economic efficiency point of view.

Figure 8.4 presents the World Economic Forum’s (WEF) Social Mobility Index. The main conclusion of the report is that a person’s opportunities in life remain linked to his or her socioeconomic status at birth, a fact that reinforces historical inequalities. This is a significant problem, not only for the individual, but also for society and the economy. Low social mobility combined with an inequality of opportunities creates obstacles to economic development.

The Nordic countries achieve the best results as they combine access, quality, and equality in education, offering job opportunities under good conditions, along with quality social protection systems without exclusions. Greece ranks in the last positions among high-income countries (and 48th among 83 economies in the world), beating only Saudi Arabia.

![Social Mobility Index for high-income countries (2020)](Source World Economic Forum [2020] and author’s own creation)
and Panama. The above indicator reveals that there are few countries with the right conditions able to promote social mobility. Most countries have weaknesses in four areas that affect social mobility: fair wages, social protection, working conditions, and lifelong learning.

Perceptions of mobility vary widely between countries. In United States, if one works hard and “plays by the rules,” one can expect to enjoy a living standard higher than that of their parents’. And it is precisely this promise of intergenerational mobility that has been evoked as justification (Jacobs & Hipple, 2018) for persistently high poverty rates and high economic inequalities in the largest market economy in the world. Despite widespread belief in upward mobility, improving economic opportunities in United States is clearly a challenge, more so than in other advanced economies. While relative mobility in the country has not deteriorated dramatically in recent decades, the combination of static relative mobility and a reduction in absolute mobility means that economic opportunities seem to be considerably less for young adults today than in previous generations.

A society with high mobility between generations is one where the well-being of an individual, in comparison to others of his generation, is less reliant on the socioeconomic status of his parents. Forty percent of Greeks believe that they lived better than their parents, while at the same time, the percentage of those who believe that their children will live better than them, falls by almost half (Narayan et al., 2018).

Undoubtedly, there are two basic reasons why higher mobility in a society should be the goal of public policy: justice and economic efficiency. When mobility is low, the chances of success are largely determined by birth, which runs counter to the basic concepts of justice in most societies. Low mobility also hinders the development and effective use of human resources and the efficient allocation of resources, as talented people from disadvantaged families are cut off from opportunities that ultimately benefit those born with greater privileges, and not those with the greatest potential. Limiting this inefficiency is beneficial for economic development. Given that the wasting of human resources is more likely to occur among low-income levels, policies that promote higher social mobility are likely to promote more inclusive development.

It can be seen that for large sections of the world’s population born in 1980s, a person’s education is still very closely linked to their parents’ education (Narayan et al., 2018). Sub-Saharan Africa and South Asia
stand out as the areas with the lowest levels of mobility. 13 of the 15 countries with the lowest mobility are either in Africa or South Asia. Adversely, the highest levels of mobility are in Western Europe, Canada, Australia, and Japan. On average, mobility is significantly lower in developing economies (with low and medium incomes) compared to high-income economies (Narayan et al., 2018). Among the developing economies, East Asia and the Pacific, the Middle East, and North Africa are areas with the highest average mobility relative to education, which remain well below averages in high-income economies.

Averages relative to social mobility are lower in developing economies, without any indication that the gap with developed ones is narrowing. Additionally, income mobility in many developing economies is much lower than their level of educational mobility would allow us to expect.

These findings support that improving intergenerational mobility requires policies to reduce opportunity inequality at all stages of life, promoting the development of human capital.

8.3 The Strengthening of Privacy, the Role of Individual Skills, and the Development of the Middle-Class

The role of the individual in the context of a changing environment is also changing. While there were previous discriminations that clashed with the “continuation of history,” with the world being formed into the western and eastern (communist) bloc, the role of individuals was in a weaker position when compared to “collective societies.” But that changed when the world “integrated” providing a new and much stronger position to individuality. In the current period, due to the global crisis, social needs are creating more pressures, leading the individual to face even more challenges globally.

The new individual is possessed by strength, skills, and abilities, in order to be able to meet the changing globalization conditions and also to make decisions and meet current and future goals. When the individual is in a position to adequately perceive the reality around him, then he can achieve what we call “individual empowerment.” The stronger the individuals that make up a society, then the stronger a society is.

Thus, the concept of individual empowerment initially refers to a process of transforming the individual, during which the individual is
being improved and takes control of his decisions. Then, regarding his empowerment process, he gains self-confidence which allows him to make decisions. It is an interactive process that takes place between the individual and his environment. The results of the process are being translated into skills, based on knowledge and abilities, with key characteristics being (Kieffer, 1984) the formation of political and social consciousness, the ability of co-operating, active participation, the ability to cope with failure, and the struggle for influence over the environment. The individual creates the suitable conditions to be in a position of choosing the most appropriate solution among various alternatives, having full knowledge of all available options. This significantly increases the range of possibilities to shape future situations.

The important role of an empowered individual can be made very clear through his performance in the workplace. No vision and no strategy can be achieved without capable and strong employees (Argyris, 1998). This is why top executives take the responsibility of trying to develop specialized employees. A common feature of countries where the problem of mismatched skills (i.e., the deviation of qualifications and skills in the workforce with labor market demands) is particularly evident, is the low level of public resources poured into the education and training of individuals.

The funding for education in Greece, as a percentage of Gross Domestic Product (GDP), is one of the lowest in EU (Fig. 8.5)—a ranking that has been consistent over time (Statistical Office of the European Communities, 2019c). This, in combination with the (often) inefficient use of resources, contributes to a reduction in the workforce quality and also negatively affects its ability to adapt to the labor market’s changing needs.

When the individual is empowered, he develops the necessary skills and characteristics to adapt to new conditions.

The mismatch of skills negatively affects the competitiveness and growth of economies, increases unemployment, undermines social inclusion and bears significant economic and social costs. These developments increase levels of uncertainty.

Developing the skills of individuals is seen as being necessary in order to take advantage of opportunities that arise and address challenges posed by the ever-increasing demands of changing economies and new globalization technologies.
Economic developments include concerns about the reality that is expected to emerge in the wake of the recent large global crisis. Having previously experienced the history of capitalism for centuries, a period of long-term recovery is what is expected, but this is not certain, neither is its pace, nor whether the recovery’s share of benefits will be distributed equally among countries. The recovery will be determined by its driving forces and the extent to which it will be driven by the demand coming from the rise of the middle-class in developing countries.

Figure 8.6 shows the declining role of consumer power among the middle-class in Europe and United States over time (until 2030) and its replacement by corresponding forces coming from Kharas, 2010) China and India.

The shift in demand patterns will have multiple effects on the global organization of production and growth. The recovery created may be fueled by supply coming from either energy supply conditions, or the use of new technologies. It can also be strengthened by the supply that comes from reducing debt-to-GDP ratios and the correcting of macroeconomic imbalances.

In many countries, mainly developed (principally in United States and Europe), the role and importance of the middle-class has declined in recent years. Middle-class life is typically associated (beyond specific
income levels) with certain goods, services, and living conditions, such as decent housing, a good level of education and health, and a healthy environment.

In most societies, the middle-class consists of the majority of the population. Income and expenditure levels of the middle-class are relatively higher (as a percentage) than the size of its population in OECD countries (OECD, 2019), which shows its contribution to the economy of the countries. In Greece, spending by the middle-class accounts for 57% of total expenditure (OECD, 2019) and is directly proportionate with the size of the population and its income, but is lower than the OECD average. The contribution to expenditure from the lower class is 20%.

The change in income seen by the middle-class in Greece over the last two decades has been impressive, as was the case in Ireland and Spain, while in other countries it has been milder (Fig. 8.7). During the decade 1995–2005, the middle-class in Greece saw income being increased by more than 40% and expenditure by almost 55%. In contrast, over the next decade, its revenue fell by 45% and its expenditure dipped by 40%, in a trend showing how painful the crisis has been for the country’s economy. However, a similar development is observed in Spain. In Ireland, in the decade 2005–2015, expenditure by the middle-class decreased by 27%, but at the same time its income continued on an upward trend (4.5%).
Consequently, as the cost of living increases (costs increase faster than income) many middle-class Greek households have become financially vulnerable with some having excessive debt levels. Nearly 40% of middle-income households in 18 European OECD countries are economically vulnerable, with this figure reaching a maximum of 70% in the case of Greece (OECD, 2019). At the same time, 95% of Greek middle-income households say they are unable to meet expenses related to necessary goods (in OECD countries the average rate is 40%) and 50% say that they spend more than their income (in OECD countries the average rate is 20%).

With the sharp rise in unemployment, the Covid-19 crisis has again weakened the position of the middle class both in Greece and all over the world, since most of the unemployment came from its ranks.

A large and secure middle-class is the solid foundation on which an effective, democratic state is built and maintained, according to the ideas of the French Enlightenment. Its disappearance could play a major role in maintaining very low development levels, high corruption levels, and social tensions, mainly due to the weaker support for development institutions and the negative reign of pressure groups.
The reduction of the power held by the middle-class does not take place through a slow evolutionary process, but occurs abruptly, within a short period of time, mainly in times of economic recession. The factors that put pressure on it come on top of increased taxation, employment reduction, and the introduction of flexible forms of work.

At the same time, in developing countries, the middle-class is getting stronger. Three decades ago, these countries did not have a middle-class, as their societies were marked by high-income inequalities and the majority of people lived below the poverty line, while at the same time the upper classes enjoyed concentrated economic power. Economic growth in these countries after 1990s (with the most important examples being China, India, and Brazil) gave a significant boost to large masses of the poor populations, boosting their per capita income and strengthening the middle-class. In fact, this process continued in countries such as Kenya, Nigeria, Tanzania, etc.

### 8.4 The Cultural Evolution: The Search for Post-materialistic Society

Reflections from the cultural background are located in both economic and political institutions. Initially, the cultural background affects the quality and functioning of political institutions and this consists the first-round effects. Then, political institutions shape economic institutions, and this is the second-round affect, which in turn create structures and provide incentives for individuals to take action. The prevailing economic institutions ultimately determine the wealth distribution and the extent of economic growth. This amounts to the third round of effects.

The first and very critical level of influence, the interconnection between cultural background and political institutions, is located when different portfolios of cultural values and practices prevail in a society, developing different political institutions. Societies, for example, that place a big emphasis on the notion of collectivism naturally form participatory institutions at different levels of organization in society. If, on the other hand, the concept of results has a dominant position in a social-cultural organization, then society itself, especially in times of crisis, will more easily accept a solution of authoritarian rule.

Inglehart (1997) states that it is foolish to believe that culture is neutral. Every society legitimizes the establishment of a social order, in part because the ruling class seeks through culture to shape the values
that will help perpetuate it (Inglehart, 1997). Alesina and Glaeser (2004) argue that in order to identify the forces that have shaped the current form of society, one must include in the analysis a review of historical events, while one must also identify what interests are being served by the dominant cultural background. At the same time, while referring to the Western world, what is needed, is to be focus on how Western political leaderships managed to direct the public into supporting their ideas and positions.

Politicized culture, as it is known, is an aspect of cultural background that has been deliberately created by political leaders to direct groups of people (de Jong, 2009). There are many examples where leaders, in their efforts to lead their country to economic growth, implemented development programs based on the values of other countries or religions (e.g., the case of Malaysia in the 1980s and 1990s). Subsequently, the cultural background may be used, as shown by examples, in order to promote the goals of political leadership.

A cultural background, dominated by features of collectiveness and denial to privacy, will tend to develop processes where the state will have a highly intervening nature. However, a cultural background dominated by collective-type characteristics and the promotion of privacy creates a very different environment, where the two types of political institutions coexist in a context that is more characteristic of Northern Europe. On the other hand, a cultural background dominated by uncertainty develops an environment that will tend to face high levels of uncertainty by creating a large number of complex laws and regulations—a characteristic of Europe’s south. Adversely, a cultural background dominated by trust and certainty may organize the functioning of society by using simpler customary procedures. It is clear that a bulky and complex legal framework do not necessarily ensure its efficiency.

The cultural background, therefore, influences political institutions which then shape structures and motivations. However, apart from this indirect process, the individual elements of economic institutions are also directly affected by the cultural background. Economic institutions, finally, shape growth conditions and income and wealth distribution (third round effects). These variables, as well as the individual elements of economic institutions, are directly dependent on cultural values. The extent to which society’s set goals are linked to the per capita product or income or happiness enjoyed by its members depends on the culture it offers. At the same time, income and wealth distribution may result from
the functioning of economic institutions, but it is directly related with the values of society and, more specifically, with whether the desirable goal of the society is the greater or lesser redistribution. Finally, it should be noted that the growth rate and wealth and income distribution, in turn, affect political institutions.

To sum up, the cultural background influences the formation of political institutions and the policy pursued. However, at the same time, the political field influences the formation of the cultural background.

There is, of course, one more behavior very distinct in society. A distinction formed by the dipole of forces that influence political and social human behaviors: the problematic financial situation (economic have-not) and/or a riveting cultural behavior (cultural backlash). This distinction refers to the extent that citizens take into consideration and vote, based on their economic difficulties (real and/or comparative) or based on their reaction to evolutionary cultural change. It should be noted that these two hypotheses have been used to explain the rise of populist parties worldwide and consist of the most serious political platforms for the prevalence of populist political parties and the widespread repercussions of populism.

Cultural backlash behavior is reinforced by issues such as the impact of civil conflicts (Catalonia, Greece) while loss aversion behaviors are reinforced by a nostalgia for previous levels of prosperity and the safeguarding/confirmation that there will be positive economic developments (recovery), once combined with lower tax rates. Additionally, raising issues related to corruption stems from the cultural characteristics of lacking of trust and loss aversion.

Suspicions that cultural backlash behavior will prevail are strengthened by the fact that in advanced Western societies there is now a perception, in society and in politics, that the economic situation is not the primary issue concerning citizens (Fig. 8.8).

The onset of the European economic crisis has changed attitudes since 2010. In 2010, the biggest problem in European society reflected in key indicators was unemployment and the economic situation, but these indicators later declined.

What do these findings mean? The world—first United States, then Europe and then Greece—is leaning toward a post-materialistic era, where economic issues play a minor role. This will be completed after the improvement of economic conditions, due to the lessening of consequences from the 2010 crisis. That is why political conflicts expected to
be in this field are the loss of a position in the society, refugees, terrorism, etc. In Greece, however, economic issues continue to be a priority for citizens, though there is declining tendency.

Covid-19 crisis is too great to expect that it will not affect people’s social behavior and priorities, job choices and lifestyle. Of course, at this point it is too early to estimate how this will be eventuated. But it is very logical that, in the short term, issues such as health, unemployment and economic conditions will be of much greater importance.

In conclusion, we believe that the post-materialistic period of reflection will give way to a period of economic uncertainty, where basic behavioral hypotheses—such as insecurity hypothesis, cultural backlash hypothesis (see next section) and economic have not hypothesis—will gain new power, each perhaps for different reasons.

8.5 THE EVOLUTION OF POLITICAL BEHAVIOR

Growth does not mean that every aspect of life is continually improving. This would not be evolution. This would be a miracle (Pinker, 2018). The belief or perception, however, that things are much worse than they really are, is widespread, having a significant harmful effect on societies. If we assume that disaster can strike us at any time, we will in all likelihood invest mainly in security and not sufficiently in education or other aspects of prosperity. The political consequences are also damaging, as
citizens turn to demagogic views. At the same time, the opposite perception—that things are always and inevitably changing for the better—can also be counterproductive. In this case, why make any changes? A more constructive approach is the acknowledging that things are getting better, but that this progress is neither automatic nor optimal (Fengler, 2019).

But, why are we, ultimately, so pessimistic? Firstly, our brains work in such a way, making us exceptionally responsive to risks. As a result, people pay much more attention to the negative, rather than the positive news. Secondly, negative news is “more significant,” as it is more dramatic, sudden, and spectacular. Thirdly, this “partiality of negativity” is further reinforced in the era of social media. In the past, traditional institutions, authorities, and bodies (such as the church, political parties, trade unions, etc.) defused extreme positions. Today, these traditional methods of mediation have largely collapsed and the new ways of interacting put people directly in contact with each other.

The next day of the economic crisis of 2008 and Covid-19 as well as the consequent slowdown of the world economy seem to be creating additional problems for the political system (Fig. 8.9). This situation is

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**Fig. 8.9** Political competition in Western societies (Source Author’s own creation)
getting worse due to the intensifying pressure put on the low and middle-classes, as a result of the crisis and income reclassification caused by globalization in United States and EU in recent years. In fact, the Covid-19 crisis somehow “confirmed” these views. In Europe, the average share of populist parties in national elections and European Parliament elections has been doubled since 1960s, rising from about 5.1 to 13.2%, at the expense of centrist parties (Doring & Manow, 2016).

Social anger at the political elite, economic dissatisfaction, and anxiety about rapid social changes have fueled political unrest in many parts of the world in recent years. Leaders, parties, and movements, both on the right and on the left of the political spectrum, have, in some cases, challenged the fundamental rules and institutions of liberal democracy. Discontent with democracy is linked to economic disappointment, the status of individual rights, as well as perceptions that political elites are corrupt and uninterested in citizens (Wike, Silver & Castillo, 2019).

Additionally, in Europe, results show that dissatisfaction with the way democracy is operating is linked to EU citizens’ views on the EU, views on whether immigrants are adopting national customs, as well as also linked to attitudes toward populist parties. These emerging trends have had mixed (negative and positive) effects from the Covid-19 crisis, so we explore this issue in more detail in the next section.

Views on economic opportunities also play a role. Those who believe that their country is a place where most people are not able to improve their living standards are more likely to be dissatisfied with the way democracy works. Personal income, however, is not the only factor, and multi-level analysis suggests that, in general, demographic variables (including gender, age, and education) are not closely linked to this discontent. While views on economic conditions are strongly linked to how performance is being perceived, non-economic factors also play an important role. Opinions on how well a democracy functions in a country are related to whether citizens believe that their fundamental rights are being respected. Dissatisfaction with the function of democracy is also linked to perceptions on how people are treated by a country’s judicial system. Apart from views on political rights, the stance toward politicians is important, as people, who say, that politicians in their country are corrupt, are more discontent with the way democracy is working in their country.

On a long-term basis, the rise of populism coincided mainly with the electoral decline of the center-left and social democracy, and, in some
cases, with the rise of the center-right. The center-left’s decline is linked to the reduction in the middle-class’ social power, due to technological changes, the reduction of labor value share in products produced after the fall of the Berlin Wall, as well as the representation problems posed by the liberal democracy, mainly due to technology changes and the consequent spreading of social media, that influenced sources of information and the decision-making process.

The financial consequences of populism in the current phase of the global economy are quite controversial, given deflation, low interest rates, insufficient effective demand, weak economic growth, and the dominance of uncertainty in international trade. More specifically, although increased fiscal expansion seems to be gradually fighting off deflationary conditions—stimulating active demand and, consequently, fueling economic growth—the growing influence of populist governments on central banks remains relatively unspecified in economic terms. In general, however, it seems to be hurting the expectations of actors, given that uncertainty surrounding the central bank’s decision-making process runs counter to their rational predictions, possibly cultivating a pessimistic environment of economic activity. In addition to these two dimensions of economic policy, populism seems to be also disrupting a third dimension, that of structural reform, as it poses an indisputably large threat to the background of political and economic institutions. It may also have a catalytic effect on free international trade, as when populism is accompanied by nationalism, then mercantilist conditions seem to be emerged, leading to practices of protectionism and limited economic extroversion.

Furthermore, the possibility of a global recession, which seems quite likely, given the current characteristics of the world economy, makes populist-driven policies more attractive, than if the global economy was at a different stage of the economic cycle. In particular, these policies are distinguished by monetary expansion, with the ultimate goal being the stimulation of inflation—low interest rates and increased money supply—and by fiscal expansion aimed at strengthening sluggish demand by boosting deficits and public debt and, in general, by nationalist-oriented policies strengthening the primary sector. Given the above, there is a general tendency of populism to invoke the national feeling, to use the expansive monetary and fiscal policy at the cost of future generations and for the benefit of the present generation, while maintaining a controversial stance toward globalization.
Two fundamental factors favor the implementation of these policies: (a) the plethora of political forces that promote populism, which are gradually strengthening at parliamentary level, and/or winning national elections, gaining thus executive power and taken over the governance in their countries; and (b) the fact that current economic conditions provide the right backdrop for popular economic policies, which further reinforces their position, undermining other approaches to economic policy. Further structural trends that contribute to the revival of populism are:

- the gradual weakening of representative democratic governments, given that the principal-agent problem between voters and national governments seems to be intensifying, or a supranational government is in charge, such as in EU;
- the limited barriers to the political organization process, due to the power of social media that serve populism, by spreading it; and
- the sense of intense economic disappointment that has gradually been established since the Great Repression of 2008 and is reflected in low price levels, sluggish demand, weak growth, and increased income inequalities in developed economies.

Moreover, it seems that a plethora of developed economies (some of which are included in the G7), a product of time, have been caught up in the political trap of populism, while a large majority of populist political forces are increasing their power beyond expectations.

More worrying is the fact that, under the rule of populist regimes and with the spread of the notion that the current monetary policy framework is outdated and inefficient, the very existence of central banks and monetary policy has been severely doubted. In particular, the accusation that central banks are institutionally biased toward keeping inflation low is being supported by the persistent behavior of low prices and deflation.

The pursuit of influence on central banks and expansionary fiscal policy are common key features among populist governments. Based on these two characteristics, interventionist economic policy, the degree to which nationalist views prevail within the countries as well as attitudes toward immigration are listed in Table 8.1, which ranks 13 countries based on the degree of populism distinguishing each government, with Greece in a relatively high position.
The cultural backlash theory of Inglehart and Norris, which sees populism as being the result of rigidity in traditional social categories driven by social change, does not allow us to understand why so many voters have gone from an economic definition to a cultural definition of their identity. Political identity is a group stereotype. As neither “camp” exactly meets our expectations, we choose the one we are closest to and which is also the furthest from the ideas we reject (Pisany-Ferry, 2020). This identification, once implemented, colors our perceptions of reality. There are, however, different ways of defining ourselves politically: on an economic basis, based on work challenges, income distribution, and social mobility and, alternatively, in a cultural basis, in relation to levels of openness to minorities or attitudes toward migration. The coexistence of these two dimensions (and possibly more) can lead voters to move from one stereotype to another. This analysis makes it possible to understand how moderate-sized social developments can cause political restructuring. At any moment, economic and cultural preferences coexist and only a small change is required to change human actions.

After all, economic nationalism, which is defined as being the preference of policies to promote national economic interests to the detriment of foreign interests, has increased since the mid-2000s. This is a broad
increase and includes markets of advanced and emerging economies, right and left-wing parties, as well as existing and new entrants. While parties labeled as being populist by political scientists tend to have far more nationalist proposals for economic policy, the shift in preferences toward economic nationalism is broadly visible. Clearly, these shifts are not universal. In advanced economies, the biggest changes are being related to limitations on migration and trade. In emerging economies, the biggest shifts in preferences were in connection to industrial policies that favored specific sectors and industrial concentration. Trade protectionism and skepticism toward multilateral organizations and agreements have increased in both advanced and emerging economies. Right-wing parties tend to be more nationalistic than left-wing parties in terms of imposing restrictions on migration and foreign direct investments and in being involved in confrontations, but there is no significant difference in terms of trade protectionism (de Bolle & Zettelmeyer, 2019).

A recent attempt to measure populism by free-market think tank Timbro, that calculated the Timbro Authoritarian Populism Index (TAP), from 1980 to 2020, for 33 European economies (countries are included as soon as they are categorized as a “free” society by Freedom House). Figure 8.10 shows the percentage of votes for populist political parties, highlighting the difference between Greece and the rest of Europe. It is

![Graph showing percentage of votes for populist parties over time in Greece and Europe.](source: Timbro [2020] and author’s own creation)
clear from the chart that Greek voters support populist political parties, particularly from 2010 onwards.

It is worth pointing out that since 2018 it seems that the populist expressions of the electorate in Greece tend to be limited, especially after the July 2019 elections, when the SYRIZA government, which had ruled since 2015, was replaced by the New Democracy government.

In concluding, after the domination of capitalism at the end of the twentieth century, a typology of political systems emerged, which, as it turned out, has played a decisive role in economic decision-making.

It is therefore clear that this typology is influenced by global forces that shape the future and has its starting point in the disintegration of the archetypal political formations belonging to both the left and the right. We could argue that this distinction was strong up until the fall of the Berlin Wall (November 9, 1989) that led to the global domination of capitalism. Then, after a period of dominance of center-left and social democracy political forces in the West, the lack of division among political lines with the simultaneous dominance of capitalism began to favor the center-right in the West. At the same time, a different form of state and authoritarian capitalism emerged, mainly in China, the oil-producing countries and Russia.

The impact of the 2008 economic crisis, the decline in the special weight of the middle-class, the resumption of GDP growth but with increases to the difference between domestic and transnational income and changes to the cultural background (cultural backlash hypothesis), along with the rise of technology emphasizing on social networking and information platforms, is accompanied by the general decline of liberal democracy—separation of powers, political rights, etc.—and particularly the shrinking of the center-left and social democracy.

Their position has been taken by political expressions of a center-right nature, which are in line with the general prevalence of capitalism, which is the combined result of all the above.

In particular, in Greek society and beyond, after the turbulent period 2010–2018, there are factors of political change that are in line with international trends, with the main feature being the prevalence of center-right and populist views (Petrakis, Kafka, Kostis & Valsamis, in press) that refer to the cultural and political background of Greek society. To the extent, however, that political populism fails to deliver on its promises, the scales of political behavior will return to center-right and center-left approaches.
8.6 Political and Cultural Effects of Covid-19

The effect of the COVID-19 crisis on political systems, their functioning, and cultural attitudes are far-reaching and will evolve over coming years.

When the crisis was in its early stages, the question arose as to whether its outburst raised issues of the superiority of certain social systems in major crises over others (China vs Western liberal democracies). The impression is that the centralized character of the Chinese state allows for more effective responses to major crises, such as the pandemic. Obviously, this position has a high degree of truth to it, but it soon became clear that the experience of previous crises (SARS) that were similar played a major role in China. Moreover, many Western liberal democracies (Germany, Greece, etc.) have shown a satisfactory level of reaction.

Later, concerns turned to deeper political fields. That is, we wonder whether the liberalization of trust in market efficiency has been dealt a decisive blow since everyone’s eyes turned to the “land of last resort” that was the state and central banks.

In this sense, the political forces in liberal democracies that gather around the political center should be strengthened, since traditionally this area has much better ties with the state’s regulatory factors. In fact, it seemed that populist political regimes (Italy, the United States, Great Britain) showed characteristic inability in controlling the sanitary phenomena. However, non-populist regimes, such as France and Switzerland, were not able to efficiently react.

It is certain that a pandemic is within the logic of markets that are impossible to manage. Moreover, the theoretical infrastructure based on the market supremacy ideology allow for the existence of the regulatory factor of the state with the presence of Leviathan of Hobbes.

Therefore, the question “how much and where the state applies” is not freshly raised by Covid-19. It existed before and will continue to exist. However, what appears to be a new dimension is an emphasis on supporting public health systems. Let’s not forget that deaths from Covid-19 are not caused by the virus itself but in combination with the absence of capable medical facilities.

So, what is it that separates the reactions of political systems to the crisis? It is too early to have similar answers and political science research will help us in the future.

However, it is now certain that the timely mobilization of experts and their good cooperation with politics is key to a satisfactory response.
The specialists include epidemiologists and doctors of all specialties, economists, communications specialists, etc. After all, it is a given that from the moment a crisis arrives, there is always an initial accumulation around the leadership and only later do political conflicts concerning the management of the crisis develop.

But the effects of the crisis are also fueling change in social behavior that is significant and noteworthy. We knew that this happens from all the great crises of the past (1929, 2008, etc.). Children that live in crisis conditions create more permanent attitudes and behaviors, especially during the shutdown of schools.

At the same time, it is certain that the increase in uncertainty levels has a profound effect on all aspects of economic activity with the main focus being on consumption, savings and investment.

But the question that remains is whether and to what extent confidence in the institutional framework in which the economy and society operate in is weakened, or strengthened.

If a society successfully copes with the crisis then it will emerge from it with a much better chance of implementing policies that have a social cost to the whole of society or to certain groups. This brings it closer to the possibility of implementing structural policies, a possibility that is usually seen among younger societies. If the need to tackle the pandemic also leads to very large horizontal programs improving overall demand, then again, conditions are in place for reform programs to be implemented, as it is well known that reform programs under austerity conditions have fewer chances of succeeding.

At the same time, societies that experience a successful management of such a crisis, with the help of the scientific community, seem to have increased confidence in the research and expertise of experts.

The opposite applies in societies that experience failed management of the crisis. They become much more vulnerable to the spread of random or malicious news, they create representations of injustice, racial and nationalist segregation, illusions of national isolation, etc.

In practice, this means that they support political forces that deny the cost of their proposals, particularly to future generations that are easy to ignore.

However, a crisis of this dimension may have a much deeper impact on society’s attitudes that are summarized in the “insecurity hypothesis,” Ingelhard’s “backlash hypothesis” and the “economic not-have hypothesis.”
We understand that in societies particularly hit by the 2008 crisis, had increased feelings of insecurity and led social behaviors to be driven by citizens’ pressure to improve their finances, leaving behind their post-materialistic concerns.

The current crisis, with its deep-fast medium-lasting character, may not reach the point of being able to activate these behavioral issues on a more permanent basis, in contrast to the 2008 financial crisis which was deep, slow-moving and long-lasting.

But the health crisis of 2020 is likely to create wider economic turmoil by creating Covid-moment situations (according to the Minsky moment) accompanied by financial imbalances.

This is likely to activate classic behaviors of “insecurity hypothesis” and “note have hypothesis,” if the economic crisis lasts much longer.

Additionally, if we live in a world where money has no cost (zero interest rates) then social demands are likely to lose their rationality and take on an anarchic formulation. However, this creates an environment that is much more difficult to control, making it more difficult to implement policies. At the same time, however, forces created by the behaviors keep people away from strongly anchored perceptions that are often likely to weigh on development.

However, cultural liquidity can have both positive and negative dimensions, so that some may act as a deterrent to economic development, while others promote it!

**Notes**

1. The risk of poverty after social transfers is defined as the percentage of people living in households whose total equivalent disposable income is less than 60% of the national median-equivalent disposable income.
2. With the year 2017 being the income reference period.
3. That is, not including social benefits and pensions.
4. The World Social Mobility Index compares 82 economies, and is designed to provide policy makers with a way to identify areas for improving social mobility and the promotion of respective opportunities in economies, regardless of their development.
5. The “middle-class” is defined as the share of the population whose disposable income ranges from 60 to 200% of the median disposable income. Those households with an income below this limit are considered to be “lower-class” and those who earn more than 200% of the median income belong to the “upper-class”.
6. Non-democracies are excluded, since there is no real meaning in comparing countries where democratic rights systematically are being limited or violated to consolidated democracies. The same goes for semi-authoritarian countries with regular, but only somewhat, free elections: North Macedonia, Albania, Bosnia and Herzegovina and Moldova. Very few parties call themselves populist and even fewer brag about their authoritarian streak. It is also, given the scope of the material, not possible to scrutinize each and every party. Since the aim of the categorization is to reflect deeply held ideological views of the party, the index relies heavily on secondary sources. To the extent that it has been possible, it follows typical and existing categorizations. Thus, a number of different sources have been used: scholarly literature on the European party system focusing in general on populist parties, as well as particular parties; ideological labels from internet sources, and the expert study Chapel Hill Expert Survey (CHES), a quantitative summary of where parties belong on the left-to-right spectrum, combined with additional dimensions that serve to identify right-wing populists (but not left-wing populists) using, for instance, views on minority rights, immigration and multiculturalism. In general, it is not as difficult to categorize political parties as one might expect. Despite some disagreement on labels, there is a rather wide consensus among scholars on where parties fit in—when in doubt, Timbro has tried to judge the very core of a party’s ideology using both secondary and primary sources (such as official party platforms). The division between “authoritarian” or “extreme” depends on the specific view on the concept of democracy. Only explicitly anti-democratic parties have been categorised as anti-democratic. Parties embracing nazism, fascism, communism, trotskyism and maoism have been regarded extreme. Parties classified as authoritarian are anti-liberal, but still democratic.

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