CHAPTER 4

The Formation of Idiosyncratic Structure of Institutions and Culture

4.1 INTRODUCTION

In the first and second chapter, it was found that the presence of institutions function in a retentive manner on economic growth (extractive institutions, rent seeking activities), the prevalence of hierarchical structures in the Greek economy (non-market allocation of resources) and the non-diversification of investment and production, from the establishment of the new Greek state onward.

Also, in the third chapter it was found that from the beginning of the twentieth century to the present day (110 years), only the periods of 1953–1970 and 2000–2007 could be characterized as periods that were not under the influence of strong inflationary pressures or periods of high risk. Therefore, risk and uncertainty are components of the personal, social, and economic life of the Greeks, from the birth of the Greek state to the present day.

Due to the existence of high levels of risk, economic actors avoid committing to investments that require significant amounts of money. This resulted in the prevalence of the small and medium-sized enterprises model, having as consequences: (a) the absence of innovative business activities, (b) business activity of small scale, and (c) the prevalence of “banking liquidity panic“ from time to time (years 1931, 1991, 2009–2010).
The willingness to take risk also depends on personal experiences of microeconomic history (Petrakis & Konstantakopoulou, 2015). This human behavior can be interpreted by the formation of endogenous growth preferences, where risk depends on the returns of risky investments of the past (Palacios–Huerta & Santos, 2004). The effect of risk on human behaviors is diffused through social learning, so present perceptions depend on actual experiences of the past. Thus, the Greek economy from its birth until recently faced a development characterized by events that magnified mainly its systemic risk.

These conditions have influenced and determined the way society and the economy function and behave.

The structure of the chapter is as follows: Initially, Sect. (4.2) presents the concept of the institutions and culture’s optimum pattern, while the next Sect. (4.3) presents the deviations observed from this optimum pattern. In the fourth (4.4) and fifth (4.5) part, idiosyncratic institutions and idiosyncratic culture traits in the Greek economy are presented, respectively, while the sixth Sect. (4.6) presents the formation of the stagnated growth prototype in the Greek economy.

4.2 The Optimum Structure of Institutions and Culture with First and Second-Best Theory Conditions

The existence of an optimal structure of institutions which is linked to an optimal nexus of cultural values can essentially exist on a theoretical level for the sake of simplification of reality (Kafka, Kostis, Petrakis, 2020).

According to Petrakis, Valsamis, Kafka, (2016), Walras (1874) developed a general equilibrium model concerning the microfoundations of price formation. The basic assumptions underlying Walrasian Paradigm are: (a) the existence of perfect competition, (b) that the allocation of resources is Pareto optimal, (c) that there exist institutions that foster economic growth, (d) that there does not exist systemic risk, and (e) that the growth preferences of individuals and companies (or in other words growth oriented cultural background dimensions) are non-idiosyncratic. The basic assumption of perfect competition in combination with the Pareto Optimal allocation of resources in the Walrasian Paradigm and the neoclassical model in general ensures a specific framework of behavior and preferences shaping the way economic institutions operate. At the same
time, under perfect information, markets are cleared and no transaction costs are incurred due to the complete contractual assumption.

However, Walrasian Paradigm rejects the interaction relationships between agents. The price mechanism is unable to incorporate the available information since some aspects of the transactions are not expressed in enforceable contracts (Bowles & Gintis, 2000). Furthermore, the role of entrepreneurship and innovation in the Walrasian Paradigm is very weak. Thus, a Schumpeterian framework is needed on the purpose to locate the emergence of innovation and entrepreneurship.

Schumpeter (1921, 1939) based his analysis on the existence of a perfectly competitive economy which is a stationary equilibrium and therefore a perfect competitive equilibrium, without making profits and without interest rates, savings, investments, and involuntary unemployment. But a capitalist economy never stagnates. Innovation is the element that causes imbalance and that, at the same time, makes it evolve. For Schumpeter (1939) equilibrium is a concept introduced in order to explain the imbalance caused by innovation. Thus, the transition to dynamic economic growth, which is disconnected from the growth of production factors, is explained.

According to Schumpeter, the role of the institutions is important, which he sees as responsible for the emergence of certain behaviors, so that they can partly be seen as the crystallization of individuals’ behaviors (Festre & Garrouste, 2008, p. 379). Schumpeter (1934, pp. 60–61) also stated that “economic sociology deals with institutions,” which is contrasted to economic theory dealing with purely economic phenomena and mechanisms. In the Schumpeterian competition scheme innovation plays a key role in economic change through the increase in the efficiency of the economic and institutional structure (Ülgen, 2014). Furthermore, Swedberg (2002, p. 250) argued that for Schumpeter, institutions are a necessary condition for a vigorous capitalism.

In addition, Schumpeter assumed that the preferences of the societies are generally incomplete, as well as that learning, experience, innovation, and our social environment mold the desires of the society. Schumpeter deal with the issue of how preferences are determined and concludes that in the face of ignorance concerning how much we will enjoy specific outcomes, we will not just rely on our own past experiences, but also seek guidance from the revealed preferences of other similar but more experienced consumers (Johnson, 1954). In the field of consumers’ behaviors and preferences, Schumpeter adopts a very categorical attitude, according
to which the producers’ behaviors and activities are important because they have the strength to influence and change consumers’ preferences (Croitoru, 2012).

The first basic theorem of welfare economics suggests that the market will move toward a forced equilibrium when the economy has two key features which make up a weak Pareto optimum:

(a) there are complete markets without transaction costs and perfect information.
(b) price-taking behavior prevails. In other words, there are no monop-
olies, and to enter and exit the market is free and easy.

When a third characteristic (the local non-compliance of preferences) is added to the two above, in which for each portfolio of complaints or services there is always another that is very close to the first but is preferable to that, then an equilibrium point can be reached that is weakly Pareto optimal.

The second basic theorem states that among all possible Pareto optimal equilibrium points we can choose and implement the achievement of some of them by realizing a lump—sun wealth redistribution and subsequently allow the economy to function without other interventions.

Thus the general theories of equilibrium, such as those of Walras (1874) and Arrow—Debreu—McKenzie (1954; 1959), in the presence of the first and second fundamental theories of welfare economics suggest a general and abstract conception of the functioning of economies.

This is a general framework, having as its main feature the dominance of the markets which is characterized by the first-best conditions. Subse-
quently, economic policy proposals are exported. The first-best conditions for an optimum allocation of resources are based on some stringent condi-
tions (Lipsey, Naugle, Nowak, & Lukacs, 2017), such as that the firms are “price takers,” and that there do not exist externalities and unexploited ranges of increasing returns.

The best-known deviation from this general framework of analysis includes the analysis of externalities in economies with imperfect markets and imperfect information (Greenwald & Stiglitz, 1986). But this is only (however prevalent and general) a reason for moving away from theories of general equilibrium. There are other causes which are related either to specialized aspects of the institutional background or to the cultural
background or finally to the dependence of the economy on the past (path dependence) (Hoeffler Ariely & West, 2006).

Thus, second (or higher order)-best conditions are formed which shape much more than a different set of economic conditions. As Lipsey and Lncaster (1956) point out, the second-best theory demonstrated that the necessary conditions for maximizing any function do not provide guides for increasing the value of that function when all the necessary conditions cannot be satisfied. Under these conditions, the “one-size-fits-all” policies (Stiglitz, 2002) become extremely controversial. This creates the conditions for context specificity (Lipsey et al., 2017) which can create policies that can be implemented in the real world. The usual situation in the world is to be objective with situations where individual policies are applied and not in a general ideal situation.

In order a body of economic policy to be formed that is being applied under second-(or higher order) best policies, it is necessary to conquer the current state of the market under consideration and the firm-best conditions for real market. Then those policies that are capable of eliminating these disorders emerge.

“The General Second Best Theories (Lipsey & Lncaster, 1956) states that the ‘piecemeal satisfaction’ of any one first-best optimality condition is not sufficient to increase community welfare in a world in which first - best conditions are not achieved globally.” This proposition may be general in nature, arguing that individual conditions that meet only certain first-best conditions do not result to an increase in the value of a (any) utility function.

Essentially the second-best theory leads to the conclusion that there are few states with general economic policy rules that are always applied. Instead, it requires special knowledge of individual markets and their relationships.

Hence, the second-best theory supports the need for individual policies that are context specific.

What caused the “departure” of the economic prototype from the first order to the second order conditions, i.e., what are the conditions that block the efficient allocation of resources? We are talking about the conditions that could follow “constraints” or “distortions.” It is about anything that could prevent the achievement of a perfectly competitive, price-taking equilibrium which would be characterized as Pareto efficient.
4.3 The Deviations from the Optimum Pattern on Institutions and Culture: Third-Best Theory Conditions

An “idiosyncratic growth prototype” emerges when institutions and cultures opposing to the growth process prevail, and we could characterize them as idiosyncratic. In addition, the coevolution of culture and institutions, in the case that cultural background is described as idiosyncratic, results to the formulation of idiosyncratic institutions. The implications of the prevalence of an idiosyncratic growth prototype, which deviates from the optimal pattern, have perspicuous effects on the way economies operate, with the most important, probably, being the coexistence with increased levels of uncertainty and inefficient allocation of resources.

Thus, an optimal growth pattern cannot often be met, since the existence of idiosyncratic institutions is one of the most significant reasons for the deviation from the optimal pattern (Petrakis et al., 2016). The Idiosyncratic Growth Prototype described here is a general definition of a deviation from the optimal pattern, in which idiosyncratic institutions and culture are generated. However, there is not only one possible form of deviation from optimality. Moreover, we present this idiosyncratic prototype (it will be described thoroughly below) as one that could describe better an emerging economy that faces a long period of stagnation.

On the one hand, institutional deviations from the optimal pattern is when exist extractive institutions (Acemoglu & Robinson, 2012). Economies dominated by extractive institutions are characterized by a lack of established relationships between the participants of the economic system. As a results, conditions which favor the expansion of uncertainty appear, that could be described as idiosyncratic. Factors that enhance the existence of idiosyncratic institutions are (Petrakis et al., 2016):

(a) Coordination failures, which are responsible for the appearance of externalities resulting in some costs in economic terms and the economy to deviate from the optimal equilibrium point.

(b) Information asymmetry, like coordination failures, create economic costs as their elimination requires the contracting between the principal and the agent, and as a result it is difficult to achieve market efficiency.
(c) Path dependency (history legacy), in the sense that “history matters” in everyday human aspect such as preferences, decisions and attitudes. To the extent that preferences are shaped by initial experiences, later preferences are path dependent (Hoeffler et al., 2006). Both the institutions and the way the economy operates are the result of a path-dependent procedure with elements of historical legacy. Based on this view, the existence of high levels of systemic risk favors societies that retain historical aspects that distort the proper functioning of the economy and create disincentives to take business action and to market efficiency in general.

On the other hand, the factors that create divergences of culture from the optimal pattern vary and might derive from both the external environment and human behavior. Petrakis et al. (2016) focus on a variety of factors that may lead to deviations of culture from the optimal pattern:

(a) Idiosyncratic cultural background: An idiosyncratic cultural background could be characterized by the existence of some specific forces that act in a peculiar manner shaping human behavior and preferences. This kind of cultural background may be represented through the analysis of several cultural dimensions which deviate significantly from the optimal pattern when persistent high systematic risk exists: (i) the prevalence of high risks in the economy creates the need for individuals to protect themselves against risk by displaying behaviors of uncertainty avoidance, (ii), the inclusion of individuals in groups in order to feel more secure, to protect themselves from uncertain situations, to secure material resources and social support (Triandis, Bontempo, Villareal, Asai,& Lucca, 1988), (iii) high time discount preferences (in uncertain environments members of society tend to be cautious about their future decisions, avoiding to withhold resources and effort over a long period of time), (iv) trust (under conditions of high systematic risk individuals lose confidence in the institutions that surround them while the level of interpersonal trust decreases, at least toward people outside the potential groups to which a person belongs), (v) power distance (under conditions of high uncertainty, inequalities in society usually increase as authority has greater power in
order to overcome the problematic situation), (vi) human orientation (concepts such as justice, truthfulness, friendliness, generosity, care and kindness lose their momentum under conditions of high systematic risk).

(b) Non diversification of investment: Economies whose production and investment are one-way defined, i.e., there is a high concentration of the production process in a few sectors, fail to eliminate systematic risk and lead to an optimal growth pattern. Kuznets (1971) suggests that a country’s economic growth may be defined as a long-term rise in capacity to supply increasingly diverse economic goods to its population. This argument is further empowered with the view of Grossman and Helpman (1992) who claim that for an economy to grow it has to produce an ever-increasing quantity, quality and variety of goods and services.

(c) Loss aversion behavior: The loss aversion assertion (Kahneman & Tversky, 1979) is one of the elements of the prospect theory (Kahneman & Tversky, 2000) which implies that people are twice as sensitive to risks as to gains. That is, the absolute subjective value of a specific loss is larger than the absolute subjective value of an equivalent gain (Ert & Erev, 2010). Loss aversion behavior is guided by the existence of high systematic risk levels and idiosyncratic/stagnated cultural background.

Those deviations of the institutional and cultural framework may lead to a new state of equilibrium which does not represent the optimal structure of institutions and culture. It is more a strategic equilibrium having the characteristics of Nash Equilibrium (Nash, 1950, 1951)\(^1\) which emerges as the optimal outcome of a game between two sides. Overall, an individual can receive no incremental benefit from changing actions, assuming other players remain constant in their strategies.

The analysis of the idiosyncratic cultural and institutions framework is of great importance when it comes to determine on the economic policy to be decided, since it is obvious that when an economic policy is developed and implemented, the actual background to which it refers is crucial.

It is a fact that moving away from first order conditions leads to various economic prototypes with varying degrees of distortions. Ng (1977) focuses his attention when information costs are not negligible. This is a condition that can be described as a third-best condition.
Ng (1977) considered that the problem posed by the risk of “generality in shaping general policy rules” and arising from the second-best theories is likely to conclude that for every economy with special geographic and time-specific characteristics, a special policy of economic development is needed. Hence, he articulated what he called the third-best theory.

By the third-best theory he argued that when neither the third best nor the best second theory can be achieved and there are “informational poverty conditions” then the fulfillment of the first-best conditions is the best policy available. So we should depart from the first-best conditions only when there are strong reasons for this.

The theoretical conflict between Lipsey and Lancaster and Ng continues today with unabated intensity (Lipsey et al., 2017; Lipsey & Ng, 2017). The final conclusion drawn from the analysis of Lipsey and Lancaster is that the current status quo must be maintained (whatever it may be), in specific contexts. Finally, the conclusion drawn from Ng’s analysis is that if the first and second-best conditions have been disturbed and conditions of informational weakness prevail, that is, third-best conditions, as many of the first-best policy conditions as possible should be fulfilled.

In conclusion, an idiosyncratic production prototype is characterized by strategically Nash equilibria with second and third order policy conditions.

4.4 **Idiosyncratic Institutions in the Greek Economy**

Whereupon, four issues that describe idiosyncratic institutions in the Greek economy in a fairly satisfactory way are being presented. It is about the relationship between capital and labor shares, the appropriation rules and the role of elites, the high transaction costs and oligopolies in the Greek economy.

4.4.1 **The Distortion of the Relative Price of Capital/Labor Ratio**

The distribution of factor shares was an issue that started to absorb the attention of economists since its beginnings in the 1920s, but all attempts had to overcome issues of measurement and comparability. Some years later there were some studies, such as those of Phelps-Brown and Weber (1953) or Johnson (1954) who concluded that the wage shares
are constant, a fact that was highly accepted during that period. Later, academic interest in Bowley’s law begin to resurface (Gollin, 2002, 2008) doubting the constancy of wage shares. Recent empirical evidence shows that the wage share has substantially and significantly declined since the 1980s. Similar is the situation for Greek economy (Fig. 4.1).

From the mid-1960s to the early 1990s, the relative size of the gross operating surplus was constantly increasing, indicating (a) the transformation of Greek productive activity from labor-intensive to capital-intensive and (b) the change in the social balance of powers at the expense of the labor factor which has been observed mainly since 1989. It should be noted that the conclusion on the validity of this last ratio is drawn from the fact that the intensity of the change (abrupt change) is not reasonable to believe that it is due to a rapid change in the productive structure of the economy in the period 1987–1993. Apparently, therefore, it is due

![Fig. 4.1 Estimates of the share of gross operating surplus (capital share) and compensation of employees (labor share) in the Greek economy (1960–2019)](image)

(Note Labor share results from the division of compensation of employees divided by the sum of compensation of employees plus gross operating surplus of enterprises and households. Capital share results from the division of gross operating surplus of enterprises and households divided by the sum of compensation of employees plus gross operating surplus of enterprises and households. Source AMECO Database and authors’ calculations)
to the rapid formation of new conditions of distribution of the produced wealth in terms of social balance of power. In addition, there has been a stabilization in the relationship between them over the last twenty years.

### 4.4.2 The Appropriation Rules and the Role of Elites

The term elite means the maintenance of a large part of power by a small part of society, a power which is independent of the democratic electoral process of a state. Usually it is about members of the society who are directly related to economic policy-making and have a significant influence on government policy decisions, as they usually hold strong positions in businesses and organizations and are directly related to decision and policy centers (think tanks or policy discussion groups). Elites include some large industrial and financial complexes.

Elites exert pressure on state power with the aim of achieving their own goals. Members who make up a group of elites are usually close to the rulers and this is also one of the reasons why their interests are easily achievable. Also, elites usually consist of a small number of members (Petrakis, 2020).

In the case of Greek society, as in many societies, it is understood that a large number of interest groups it is active at all levels (professional, economic, political, ideological, etc.). This fact, combined with the relatively small size of the country, but also due to the fact that many of the interests promoted are conflicting, constitute obstacles to the equal distribution of income. Specific pressure groups, usually those that already have authority and the ability to push power, manage to extract benefits unlike other groups in which the lack of pressure capabilities does not help them to derive beneficial results from their mobilizations.

Organized interest groups can often harm the economy through defending specific interests that are at odds with the “common good.” Specific changes that become not only necessary but also beneficial, such as the adoption of new technology in the production of a product, which will reduce the need for human resources, may not be promoted due to interests of guilds. This does not promote change and improvement of processes for the benefit of companies but also for the benefit of society. This avoidance of adaptation to new conditions, hinders evolution, does not make obvious the need for change, adjustment of needs and processes, thus slowing the evolution and further adaptability of the country to new conditions.
DiCaprio (2012) brings together the influence of elites on the economic development of the societies to which they belong, in the following: (a) their ability to control and trade the desired resources, especially those of high monetary value, (b) the way in which they influence the distribution of resources, which is also the most direct way through which they influence the process of development and growth, (c) the political influence they exercise, although they may not hold positions of power, (d) the fact that institutions designed by the elites themselves usually promote the participation and flow of information and strengthen the position of a particular group within the governmental structure, (e) their ability to frame the way in which issues are perceived, and (f) their ability to influence public opinion by diffusing or holding information.

From the above, it is reasonable to assume that such actions (avoiding adaptation to changes) create a negative dynamic in society and the economy. When rapidly developing countries follow developments and adapt directly to them, then they create the conditions for development and progress, for the discovery of new technologies, products, etc. Societies that are not able to follow will have less room to adapt and deal with external upheavals that will arise as they lag behind in readiness, speed of evolution and adaptation and contact with new conditions.

If each group is individually active in order to defend specific interests, this can not only work negatively for the efficient functioning of the economy but also for the equal distribution of income (Olson, 1982). More specifically, if members of each group use whatever means available to achieve their objectives, this implies political choices which, although economically ineffective for society as a whole, will give an advantage to organized groups, since the costs of policies fall in a way that is not proportionate to individuals who are not members of the group. In addition, there is a possibility that the cost of negotiation and slow decision-making will make society unprofitable.

### 4.4.3 High Transaction Costs

One of the main sources of institution weakness, as it is represented in the property rights obscurity, derives from the Greek state success consequence from the Ottoman regime and it is referred to the inland state. This land, which was the most productive, accounted for the 85.16% of the total geographical area of the newborn Greek state. The land by definition belonged to the state and was used as collateral to external
financing. At the same time, the land was used for agricultural production and—later on—inherited by the farmers’ children; as a result a complex system of property rights was developed. In turn, this required lawyers and civil engineers resolving the serious property rights problems.

These conditions are still very present in the Greek state. It is worth noticing that (a) one of the current main obstacles of the Troika proposals in utilizing the state-owned property is the absence of clear property rights on land, and (b) the main existing obstacles for future development of the tourism sector is the absence of land registry, clearly defining publicly owned land and cultivated land (i.e., the territories that can be exploited for mining, quarrying, housing, or any other entrepreneurial use, including tourism infrastructure development).

The numerous modern expressions of this phenomenon range from construction in areas outside urban planning zones, to intellectual property piracy, to an ever-changing tax system and the re-selling of public transport registration licenses.

However, the causes of this obscurity regarding property rights should not be sought exclusively in economic facts, but also (a) in basic cultural characteristics, (b) in the characteristics of the transactions and, (c) in the basic wealth-producing resources.

In addition, market operation information efficiency is low (and, hence, extends the obscurity in property rights) or encounters structures designed to create obscurity. Therefore, asymmetrical information is both a product and a result of this obscurity. A financial system based on lending-borrowing relationships is favored, while arm’s length financial transactions (i.e., systems based on the fact that both parties in the deal are acting in their own self-interest and are not subject to any pressure or duress from the other party) are avoided.

Prevailing extracting institutions create symptoms which can be easily recognized in today’s Greek economic life. There are three major areas to focus upon: (a) the transaction costs in the economy, (b) the property rights obscurity, and (c) the poor contracting procedures. Transaction costs can be revealed or not. Revealed transaction costs include permission costs, additional taxes on specific transactions such as transfer of property ownership, etc. Corruption costs are an additional “revealed” transaction cost. Unrevealed transaction costs origin from bureaucratic procedures, required days for getting entrepreneurial licenses, etc.
4.4.4 Oligopolies

The Greek economy is also characterized by the emergence of oligopolistic sectors. This is a serious question of the structure of the economic system related to the organization of economic institutions, the way the economy is organized and, ultimately, directly concerns the distribution of income and wealth in the country.

The Greek market has an oligopolistic structure in many areas. A typical example of the oligopolistic sector in Greece is the retail food market, where 10 department store chains control over 85% of the market. (Melas, 2009). Typical examples are telecommunications, industry, procurement, financial services and basic necessities (Table 4.1).

The table shows that 33 sectors of the Greek economy have a narrow oligopolistic structure. It is noteworthy that sectors such as manufacture and more specifically tobacco products, tobacco and LPG bottling, air transport, and the leather and fur trade have an oligopoly concentration of more than 98%, which is evidence of an extremely narrow oligopoly.

4.5 Idiosyncratic Cultural Traits in the Greek Economy

The cultural dimensions and social psychological stereotypes prevailing in Greek society have a very long life span that goes beyond the establishment of the modern Greek state (Petrakis, 2011). This does not mean that they are immobilized and consolidated through time, although their systematic presence is being generally observed, not only in the Greek economy but in all societies of the world, not as defined just by national borders. In general, they are the cognitive constructions that connect the past with the present and define the future.

The cultural characteristics of societies reflect psychological and social stereotypes, which have been created in the long past and are the factors shaping institutions and transactions in the present (Petrakis 2011). Cultural values show a stability over time. The different social and political processes that form the cultural background of each society, respectively, direct the character of those involved. In general, cultural stereotypes are very resistant to change and redefinition (Johnston, 1996).

Eight basic social psychological stereotypes prevail in Greek society. We consider that these stereotypes have remarkable social and economic
Table 4.1  Highly concentrated sectors in the Greek economy (2016)

| Sector                                                   | CR4  |
|----------------------------------------------------------|------|
| Manufacture (Tobacco Products)                           | 100  |
| Manufacture (Tobacco)                                    | 99.98|
| Manufacture (LPG Bottling)                               | 99.87|
| Air Transport                                            | 99.61|
| Trade (Leather—Fur)                                     | 98.06|
| Manufacture (Metallurgical Products)                     | 89.14|
| Telecommunications                                       | 85.08|
| Trade (Furniture—Lighting)                              | 82.62|
| Manufacture (Fabric Items)                               | 81.73|
| Trade (Minerals-Mines)                                   | 81.69|
| Tourism (Business Yachting—Cruising)                     | 80.83|
| Shipping                                                 | 79.75|
| Trade (Dealerships—Imports—Exports)                       | 77.82|
| Investment Services Companies                            | 74.93|
| Trade (Yarn—Fabrics)                                     | 71.68|
| Manufacture (Petroleum & Coal Products)                  | 69.82|
| Manufacture (Leather—Fur)                               | 67.16|
| Manufacture (Newspaper—Magazine Publications)            | 65.5 |
| Manufacture (Transportation—Shipyards)                   | 62.57|
| Financial services                                       | 61.85|
| Manufacture (Drinks)                                     | 61.75|
| Trade (Supermarkets—Stores)                              | 60.99|
| Trade (Professional Equipment)                           | 60.86|
| Manufacture (Machinery)                                  | 58.75|
| Manufacture (Wood—Cork & Products)                       | 58.32|
| Manufacture (Furniture)                                  | 57.96|
| Trade (Home—Professional Devices)                        | 56.76|
| Trade (Fuel—Lubricants—Liquids)                          | 55.83|
| Manufacture (Electrical Appliances—Lighting)             | 55.31|
| Manufacture (Electrical—Electronic Material)             | 54.31|
| Manufacture (Various Products)                           | 53.07|
| Technical-Building                                       | 52.69|
| Manufacture (Non-Mineral Products)                       | 51.01|

Notes The table shows that 33 sectors of the Greek economy have a narrow oligopolistic structure. It is noteworthy that sectors such as manufacture and more specifically tobacco products, tobacco and LPG bottling, air transport, and the leather and fur trade have an oligopoly concentration of more than 98%, which is evidence of an extremely narrow oligopoly.

Source Data from ICAP for the needs of this study and authors’ calculations and creation.
Table 4.2  Hierarchy of prevailing social psychological stereotypes in Greek society

| Prevailing stereotypes | Non-prevailing stereotypes |
|------------------------|---------------------------|
| 1 Collectivism         | Individualism             |
| 2 Orientation to the present | Future orientation |
| 3 Dominance of uncertainty | Risk taking and active management of uncertainty |
| 4 Non-orientation to performance | Performance orientation |
| 5 Accepting inequalities | Seeking equality          |
| 6 Lack of trust        | Trust                     |
| 7 Masculinity          | Femininity                |
| 8 Religious influence neutral to negative | Religious promotional factors |

Source Petrkis (2011)

reflections on the productive and social environment of the Greek economy and are directly related to its peculiarities (Table 4.2).

An important question raised by the Covid-19 pandemic is whether it is possible to influence attitudes that make up social stereotypes. Obviously, we know that social stereotypes show relatively little mobility of change. On the other hand, however, and because the shock is exogenous and massive with systematic characteristics and serious health effects, it is highly likely that it has an impact on human behavior. However, these impacts are difficult to be seen, and at least for the time being, there is a mixed effect.

In particular, the success of managing the epidemiological crisis has strengthened the credibility of collegiality and trust in institutions (Dianeosis, 2020) but has also enhanced privacy through the isolation provided for by the social responsibility policies and the distance learning and working methods.

Furthermore, it is clear that Covid-19 has significantly increased uncertainty and reduced the visibility of the future, so it can clearly work in the direction of strengthening present preferences while increasing uncertainty.

At the same time, a crisis of this kind creates high efficiency demands from the institutional and operational framework of the economy and thus strengthens efficiency demands.
The question is whether it increases or reduces confidence in people and their transactions. It is obvious that it operates by destroying structure, but if the social experiment of dealing with the crisis is proved successful, then the degree of confidence will increase. Religious sentiment is under considerable pressure, especially because in Greek society there was a conflict between the rational scientific community and the religious institutional framework.

It should be noted that a significant impact of the prevailing social pattern is to reduce the rate of population growth. It is obvious that the growth rate of the population is also due to economic—real reasons. Characteristically, the level of economic development and the effects on the general environment formed by its development (maternity protection, economic prospects, etc.) are mentioned and constitute a more general attitude that prevails in developed countries. However, these purely real economic reasons have also been incorporated as elements of the Greek cultural background and influence the decision of fertility which is a personal decision. Thus, the prevailing social stereotypes and especially the orientation to the present, the dominance of uncertainty and distrust (low social capital) contribute to reduced fertility.

The impact of this cultural background extends to a number of economic aspects that generally operate with an anti-development character. The main direction of this is the fixation on what is familiar, the lack of competition and control, the prevalence of inertia from uncertainty and therefore anxiety to undertake risky ventures (entrepreneurship) and finally, the lack of trust and generally low levels of social capital.

Does the cultural background have a long-term anti-cyclical developmental effect or a cyclical anti-developmental effect? During the prosperity phase of the economy certain “anti-developmental” aspects of social values prevail. Thus, strong family cohesion (a) reduces the spatial mobility that the child will move around and (b) affects the longitudinal mobility of vocational guidance. For example, parents who are doctors and lawyers, despite the saturation of their specialties, influence their reproduction, not allowing the “signals” of oversaturation (unemployment, wage reduction) to influence the choices of younger generations. The lack of performance orientation also contributes to the creation of social organizations that involve excessive expenditure of resources without evaluation. The dominance of uncertainty leads to the shortening of investment horizons and consequently to the denial of innovation. In the recession phase, this social model itself “generates”
lines of defense against its change. Thus during the Great Recession of 2008 it is obvious that collectivism and in particular in-group collectivism (family) contribute to the reduction of the negative effects of the crisis, as in the case of unemployment or wage reduction. The fact that in the very difficult phase of the recession the cultural background operates “rescue,” gives it the ability to survive, possibly even stronger.

From the context of cultural dimensions particular emphasis is placed on the lack of orientation toward the future, in the sense that the also important dimensions of (a) protection of collectivism, (b) uncertainty avoidance, (c) lack of performance orientation, and (d) lack of trust, are easily understood.

Particular emphasis should be placed on the impact that the specific cultural model that prevails in Greek society has on the prevailing motivation framework. When a society is not characterized as future-oriented (as is the Greek society) there is no organization of “goals and objectives” and therefore there is no activation of incentives. Thus, the only factor in the formation of motivation remains the basic framework of human needs, which corresponds to earlier levels of development, so that incentives with a developmental nature cannot be activated.

4.6 The Idiosyncratic Growth Prototype of the Greek Economy

The nexus of idiosyncratic institutions and preferences in a society is what motivates or prevents its members from taking innovative initiatives. The differences between countries in terms of levels of technological development and the investment capacity stem largely from the unequal existence of idiosyncratic institutions and the idiosyncratic preferences that prevail.

The coevolution of preferences and institutions, in the case where the former is designated as idiosyncratic preferences, leads to idiosyncratic institutions forming an Idiosyncratic Growth Prototype (Petrakis et al., 2016, Kafka et al., 2020). The emergence of new institutions is associated with cultural innovation (Bowles, 2009). However, such a development is usually the result of complex and numerous processes that do not take place together, but are differentiated in terms of time and space. The adaptation of new preferences is a process that reflects the changes in human behavior following influences that the individual has accepted (Bowles, 1998). Culture and institutions being complements is essential for the survival of the latter in a long-term pattern. Otherwise,
where coevolution is interrupted by rapid change of institutions then the efficiency of the economic system is conditional.

The evolution of social structure is of particular importance, which leads the small “initial” differences to prevail and be perpetuated over time (Petrakis et al., 2016). Thus, the population is constantly in a situation where influences from the past affect the preferences of individuals and the development of institutions in general. However, the coevolution of preferences and institutions in most cases is not synchronized. Incompatibility can take the form either of time progression (institutions reach an equilibrium that is compatible with equilibrium preferences at a point in time where preferences have already changed). Incompatibility, however, can be the result of incomplete transformation of preferences into institutions which can be due to many reasons (ineffective political process, hidden preferences, etc.).

Thus, understand the Greek growth process by employing a path dependence evolutionary model with two distinct characteristics: extractive institutions and non-market mechanisms of allocation of resources (Petrakis et al., 2016). It has been showed that according to institutions and preferences coevolution interactions there will be second round effects on institutions (generation of systematic risk) and preferences: (non-diversification of investment behavior and idiosyncratic cultural background consistent by: uncertainty avoidance, in-group collectivism, high discount preferences, and loss aversion). The formation of the second round idiosyncratic institutions and preferences perpetuates the existence of extractive institutions and non-market mechanisms of allocation of resources. Thus, an idiosyncratic growth prototype is generated and is prevailing with low performance on entrepreneurship and innovation (Fig. 4.2).

This stagnated growth prototype has no endogenous energy to break the barriers to growth (Kafka et al., 2020). Institutions always affect preferences and vice versa, through the coevolution pattern that they follow and has a long-lasting ability to survive (Fig. 4.2). When idiosyncratic institutions and preferences prevail in an economy, there are barriers produced that hinder innovation outcomes. The growth policy concerns should be devoted to whether we can approach a growth performance pattern with endogenous ability to sources of growth (Petrakis et al., 2016). Consequently, attention should be paid to the design and implementation of pro-growth structural changes with reference to institutions and preferences which would take into account their coevolution process.
Fig. 4.2 The Idiosyncratic Growth Prototype (Source Authors’ creation)

Otherwise, we have to rely on the importation of growth (e.g., inward flows of capital, incoming innovation) creating a pro-growth prototype that will promote growth.

**Notes**

1. Nash Equilibrium is the solution to a game in which two or more players have a strategy, and with each participant considering the opponent’s choice, he has no incentive, nothing to gain, by switching his strategy. In the Nash Equilibrium, each player’s strategy is optimal when considering the decisions of other players. Every player wins because everyone gets the outcome he/she desires. To quickly test if Nash equilibrium exists, reveal each player’s strategy to the other players. If no one changes his/her strategy, then Nash Equilibrium is proven.
REFERENCES

Acemoglu, D., & Robinson, J. A. (2012). Why Nations Fail: The Origins of Power, Prosperity, and Poverty. New York, NY: Crown.

Arrow, K. J., & Debreu, G. (1954). Existence of an Equilibrium for a Competitive Economy. *Econometrica, 22*(3), 265–290.

Bowles, S. (1998). Endogenous Preferences: The Cultural Consequences of Markets and Other Economic Institutions. *Journal of Economic Literature, 36*(1), 75–111.

Bowles, S., & Gintis, H. (2000). Walrasian Economics in Retrospect. *Quarterly Journal of Economics, 115*(4), 1411–1439.

Bowles, S. (2009). Did Warfare Among Ancestral Hunter-Gatherers Affect the Evolution of Human Social Behaviors? *Science, 324*(5932), 1293–1298.

Croitoru, A. (2012). *Schumpeter, J. A., 1934 (2008), The Theory of Economic Development: An Inquiry into Profits, Capital, Credit, Interest and the Business Cycle.* New Brunswick, NJ and London: Transaction Publishers.

Dianosis. (2020). *How Greeks Live In Pandemia? Dianosis.* (in Greek).

DiCaprio, A. (2012). Introduction: The Role of Elites in Economic Development. In A. H. Amsden, A. DiCaprio, & J. A. Robinson (Eds.), *The Role of Elites in Economic Development* (pp. 1–18). Oxford, UK: Oxford University Press.

Ert & Erev. (2010). On the Descriptive Value of Loss Aversion in Decisions Under Risk. *Judgment and Decision Making, 8*(3), 214–235.

Festre, A., & Garrouste, P. (2008). Rationality, Behavior, Institutional and Economic Change in Schumpeter. *Journal of Economic Methodology, 15*(4), 365–390.

Gollin, D. (2002). Getting Income Shares Right. *Journal of Political Economy, 110*(2), 458–474. [https://doi.org/10.1086/338747](https://doi.org/10.1086/338747).

Gollin, D. (2008). Labour’s Share of Income. In S. B. Durlauf, L. E. Blume (Eds.), *The New Palgrave Dictionary of Economics.* London: Palgrave Macmillan.

Greenwald, B., & Stiglitz, J. E. (1986). Externalities in Markets with Imperfect Information and Incomplete Markets. *Quarterly Journal of Economics, 101*, 229–264.

Grossman, G. M., & Helpman, E. (1992). *Protection of Scale* (NBER Working Paper No. 4149). Cambridge, MA: National Bureau of Economic Research.

Hoeffler, S., Ariely, D., & West, P. (2006). Path Dependent Preferences: The Role of Early Experience and Biased Search in Preference Development. *Organizational Behavior and Human Decision Processes, 101*(2), 215–229.

Johnson, S. M. (1954). Optimal Two-and Three-Stage Production Schedules with Setup Times Included. *Naval Research Logistics Quarterly, 1*, 61–68.

Johnston, L. (1996). Resisting Change: Information-Seeking and Stereotype Change. *European Journal of Social Psychology, 26*, 799–825.
Kafka, K. I., Kostis, P. C., & Petrakis, P. E. (2020). Why Coevolution of Culture and Institutions Matters for Economic Development and Growth? In R. MYonk (Ed.), Economic-Financial Development and Cultural Transformation. London: IntechOpen. ISBN 978-1-78985-938-6.

Kahneman, D., & Tversky, A. (1979). Prospect Theory: An Analysis of Decision under Risk. *Econometrica, 47*(2), 263–291.

Kahneman, D., & Tversky, A. (2000). *Choices, Values and Frames*. New York, NY: Russell Sage Foundation and Cambridge University Press.

Kuznets, S. (1971). *Economic Growth of Nations: Total Output and Production Structure*. Cambridge, MA: Harvard University Press.

Lipsey, M. K., Naugle, D. E., Nowak, J., & Lukacs, P. M. (2017). Extending Utility of Hierarchical Models to Multi-Scale Habitat Selection. *Diversity and Distributions, 23*(7), 783–793.

Lipsey, R. G., & Lancaster, K. (1956). The General Theory of Second Best. *Review of Economic Studies, 24*(1), 11–32.

Lipsey, R. G., Ng, Y.-K. (2017, May). Concluding Comments to the Debate. *Pacific Economic Review, 22*(2), 213–228. Wiley Blackwell.

McKenzie, L. W. (1954). On Equilibrium in Graham’s Model of World Trade and Other Competitive Systems. *Econometrica, 22*(2), 147–161.

Melas, K. (2009). *Stunned Europe*. Athens: Exantas. (in Greek).

Nash, J. F. (1950). The Bargaining Problem. *Econometrica, 18*, 155–162.

Nash, J. F. (1951). Non-Cooperative Games. *The Annals of Mathematics, Second Series, 54*(2), 286–295.

Ng, Y. K. (1977). Towards a Theory of the Third Best. *Public Finance / Finance Publique, 32*, 1–15.

Olson, M. (1982). *The Rise and Decline of Nations*. New Haven, CT: Yale University Press.

Palacios-Huerta, I., & Santos, T. (2004). A Theory of Markets, Institutions, and Endogenous Preferences. *Journal of Public Economics, 88*(3), 601–627.

Petrakis, P. (2011). *The Greek Economy and the Crisis*. Springer Verlang.

Petrakis, P. E., & Konstantakopoulou, D. (2015). *Uncertainty in the Entrepreneurial Decision Making: The Competitive Advantage of Strategic Creativity*. New York, NY: Palgrave Macmillan.

Petrakis, P. (2020). *Theoretical Approaches to Economic Growth and Development. An Interdisciplinary Perspective*. Palgrave Macmillan. ISBN 978-3-030-50067-2.

Petrakis, P. E., Valsamis, D. G., & Kafka, K. I. (2016). From an Optimal to a Stagnated Growth Prototype: The Role of Institutions and Culture. *Journal of Innovation & Knowledge, 2*(3).

Phelps-Brown, P., & Weber, B. (1953). Accumulation, Productivity and Distribution in the British Economy, 1870–1938. *Economic Journal, 63*, 263–288.
Schumpeter, J. A. (1921). *The Theory of Economic Development*. Cambridge: Harvard University Press.
Schumpeter, J. A. (1939). *Business Cycles, A Theoretical, Historical and Statistical Analysis of Capitalist Process*. New York, NY: McGraw-Hill.
Stiglitz, J. E. (2002). *Globalization and its Discontents*. London: Penguin Books.
Swedberg, Richard. (2002). The Economic Sociology of Capitalism: Weber and Schumpeter. *Journal of Classical Sociology, 2*(3), 227–255.
Triandis, H. C., Bontempo, R., Villareal, M. J., Asai, M., & Lucca, N. (1988). Individualism and Collectivism: Cross-Cultural Perspectives on Self-Ingroup Relationship. *Journal of Personality and Social Psychology, 54*, 323–338.
Ülgen, F. (2014). Schumpeterian Economic Development and Financial Innovations: A Conflicting Evolution. *Journal of Institutional Economics, 10*(2), 257–277. https://doi.org/10.1017/S1744137414000022.
Walras, L. (1874). Principe d’Une Théorie Mathématique de L’Échange. *Journal Des Économistes, 34*, 5–22.