OPENING PRESENTATION

Opening presentation by Prof.Yannis TSEKOURAS, President of ASECU, University of Macedonia, Thessaloniki, Greece, on *Towards Post-Crisis Prosperity: Alternative Economic Policies and Institutional Reforms in Southern and Eastern Europe*

Introduction

The theme of our conference, with its reference to post-crisis prosperity, urges us to seek alternative economic policies and institutional reforms in south-eastern and eastern Europe which will support economic revival and, by extension, prosperity.

Given that most countries of south-eastern Europe (SEE) and central-eastern Europe (CEE) are members of the EU (CEE Estonia, Latvia, Lithuania, Hungary, Poland, Slovakia, Slovenia, Czech Republic; SEE Bulgaria, Greece, Croatia, Cyprus, Romania), while five of them (Latvia, Slovenia, Slovakia, Greece and Cyprus, are also members of the Eurozone, and the remaining states in the region are negotiating future entry into the EU, their governments are required to keep their economic policy in line with that of the EU and Eurozone institutions respectively. Two Eurozone members, Greece and Cyprus, are obliged to implement the memoranda agreed with the representatives of their lenders, i.e. the European Commission and European Central Bank, and the IMF, and must therefore adhere to the policies and implement the measures demanded of them by the Troika of their creditors.

It would therefore be useful to examine the efficacy of European Union and Eurozone institutions and policies, in terms of their contribution to growth and prosperity for the European Union and Eurozone respectively, and for each member state individually. This is because each strand of economic, fiscal, etc. policy adopted for the EU, and particularly for the Eurozone, cannot possibly generate the same results across all 28 or 18 member states, respectively, since the level of growth, the structural features and problems differ from country to country, and especially when one takes into account that from the outset the terms of the Maastricht Treaty and the single currency were better suited to the stronger than the weaker economies. Furthermore, the EU has still not advanced to fiscal and economic union, has not appointed a Finance Minister or coordinator of the fiscal and economic policies of the member states, much less proceeded to social and political union, and any new institutions which are established, such as the recent banking union, instead of being supranational remain merely intergovernmental. This is because national interest continues to be favoured over supranational or European Union interests, to such an extent that the philosopher Jürgen Habermas fears that Europe might become, instead of the 'first democratically legitimized supranational community', the 'instrument for exercising a kind of post-democratic rule'.

However this may be, the institution of banking union, of which the Single Supervisory Mechanism (SSM) will come into operation in 2014, the Single Resolution Mechanism (SRM) in 2016, and the Fund in ten years' time, is at least a first step to combat the neoliberal dogma of market self-regulation. Through this decision the ECB will function not only as the central bank, but also as the central regulator of more than 200 systemic banks across Europe.

It is a fact that the absence from the Eurozone of robust redistributive mechanisms, in combination with the architecture of the Maastricht Treaty, has led to the operation of a systemic exchange imbalance between the stronger North and weaker South, involving the wholesale transfer of resources northwards.

The case of Greece

In many respects, Greece was implementing economic, fiscal, income and credit policies – both before it entered the Eurozone and after it became a member, without timely control by the institutions of the Eurozone – which far outstripped its real capacity, and it is for this reason, over and above the broader global crisis, that it found itself in the disastrous situation we have been experiencing over the last six years.

The policies imposed on Greece by the Eurocrats (in essence, by Germany), characterized by strict fiscal austerity, with internal devaluation, since the common currency cannot be devalued[1] by a member of the Eurozone, and without the domestic banking system being able to finance (productive) investment, mainly in knowledge, research and innovation (because of the severe limit on liquidity, with interest rates ranging from 6.5% to 8.5%, compared to 2% to 3% in the core Eurozone countries), thus with almost no investment activity, all these factors have had (for 2013) a huge economic and social cost, with overall unemployment standing at 27%, youth unemployment at 56%, a 25% reduction in GDP over five years, a 35% fall in household disposable income, with 35% of the population now at risk of poverty and social exclusion, and at the same time an increase in the national debt by 45%, rising to 174% of GDP .

On the other hand, the measures required of Greece by the Memorandum have contributed to significant fiscal adjustment, with a primary public finance surplus for 2013 of 0,8% of GDP (according to the Troika method), a positive balance of payments for the first time in 64 years (0.7% of GDP in 2013), and with almost complete recovery of cost competitiveness, mainly owing to the reduction in labour costs per product unit, but not in terms of price. Of course, the budget surplus, generated mainly by a crushing tax burden on households and business, cannot be considered sustainable in the long run, unless GDP begins to grow at a satisfactory rate (3.5% to 4%). The same is true of the balance of payments, this too being mainly due to a fall in imports, the result of protracted recession, rather than a substantial increase in exports.

However, the first, dangerous, political consequence of mass unemployment and the impoverishment of great swathes of Greek society has been a significant rise in support for far-right, neo-fascist groupings and for anti-European and Euro-sceptic parties. Rigorous austerity measures and internal devaluation, together with a range of other structural reforms, may have a more positive long-term impact than the gentler approach of, for

[1] The retention of the hard Euro a) was an obstacle to competitiveness, but b) helped to keep inflation low and prevent currency speculation.

example, the Keynesians, advocating more investment and a stimulus for domestic demand. But if strict austerity continues, accompanied by a relatively unfair sharing of the burden of that austerity, and no investment is made to bring down unemployment, then we cannot rule out the risk of a breakdown of social cohesion.

In Greece the ranks of the Euro-sceptics have been swollen by a widespread view that the Eurozone, lacking any experience in responding to a major crisis, sought the assistance of the more experienced IMF, and together they designed and imposed on Greece, with its governments blinkered by ignorance and fear, a policy which was mistaken in several key areas, namely:

(a) tardy diagnosis of causes of crisis,
(b) the fact that emphasis was laid (by the Greek government, too) on increasing taxes rather than cutting spending, and at the same time they have been slow to reform public administration and stamp out tax evasion,
(c) the use (by the IMF) of a low fiscal multiplier, which is partly responsible for the recession being more severe than expected; growth in GDP of 1.1% was forecast for 2012, and debt of 150% of GDP, instead of which growth declined by 6.4% in that year, and 3.9% in the following year, 2013, while the debt swelled to 174% of GDP. This mistake was later acknowledged by the IMF. Nonetheless, this admission could not change the fact that the Troika, and by extension the country's creditors, had acted in relative ignorance of the circumstances of the crisis, on the basis of erroneous information and in order for the Eurozone to gain time until it could take decisions on correcting its flawed monetary and fiscal policies, as was confirmed last January by the Commissioner for Economic and Monetary Affairs Olli Rehn, appearing before the European Parliament's Economic Affairs Committee.

Nevertheless, and despite the fact that a 'Grexit' had been discussed at 'certain private meetings' between Eurozone leaders, the Eurozone had made available to Greece by 2013 funds and guarantees in the order of 340 billion Euro, at relatively low interest rates. This averted a disorderly bankruptcy of the country, to which international markets were no longer willing to lend. Now, the first step has been done, testing the ability of the country to access the international finance markets. So, there is cautious talk of the so-called "Greturn" (Greek return), even for "Greecovery".

Obviously, despite the huge assistance from the Eurozone, Greece remains mired in crisis, and this shows, in the final analysis, that serious errors have been made, both in the creditors' choice of the most appropriate package of measures, and in their implementation by Greece.

Given, then, that the institutions, directives and rules laid down by the EU and the Eurozone and imposed on the member states are a reality which the individual members cannot alter, it remains to examine the institutions and rules which each member state, acting on its own initiative, can establish and/or alter in order to facilitate/attain the objectives of growth and prosperity, as well as competitiveness, without the economy once more slipping into unmanageable public finance and balance of payment deficits and massive national debt.

Below the reader will find three tables –one for the EU-15, one for the CEE countries and one for the SEE countries– showing the six composite governance indicators for 2012, published by the World Bank Institute.

Table 1. Composite governance indicators for the EU15 member states in 2012

	Account-ability	**Political Stability**	**Government Effectiveness**	**Regulatory Quality**	**Rule of Law**	**Control of Corruption**
Austria	95.3	95.7	92.8	91.4	97.6	88.5
Belgium	92.9	74.4	93.8	86.6	88.6	90.9
Denmark	99.1	74.9	99.0	97.6	98.1	100.0
Finland	96.7	97.6	100.0	98.1	99.5	98.1
France	89.6	63.5	87.6	83.3	90.0	90.0
Germany	93.4	71.1	93.3	92.3	91.9	93.8
Greece	67.3	38.4	62.2	68.4	63.5	51.2
Ireland	91.9	77.3	92.3	94.3	94.3	90.4
Italy	73.9	63.0	66.0	74.6	62.1	57.9
Luxembourg	97.2	96.2	94.7	96.7	96.2	96.2
Netherland	97.6	90.5	96.7	96.2	97.2	96.7
Portugal	78.2	69.7	81.3	75.6	82.5	78.5
Spain	79.6	43.1	82.3	78.0	83.4	81.8
Sweden	99.5	90.0	98.6	99.0	99.1	99.0
United Kingdom	92.4	60.2	91.9	94.7	92.9	92.3
Average	**89.6**	**73.7**	**88.8**	**88.5**	**89.1**	**87.02**

Source: World Bank Institute, Worldwide Governance Indicators online database.

Table 2. Composite governance indicators for CEE countries in 2012

	Account-ability	Political Stability	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
Czech Rep.	74.9	84.4	76.6	80.9	81.5	63.6
Estonia	83.9	64.9	78.0	90.4	84.4	80.4
Hungary	70.1	68.7	70.8	79.0	68.3	64.6
Latvia	70.6	60.7	74.6	79.9	72.5	62.7
Lithuania	74.4	70.1	74.2	82.8	73.0	66.0
Poland	81.0	83.4	71.8	78.5	72.0	71.8
Slovak Rep	76.8	87.2	73.7	80.4	64.0	60.3
Slovenia	77.7	76.3	80.9	72.3	80.6	74.6
EU-15 (Average)	**89.6**	**73.7**	**88.8**	**88.5**	**89.1**	**87.02**

Source: World Bank Institute, Worldwide Governance Indicators online database.

Table 3. Composite governance indicators for SEE countries in 2012

	Account-ability	Political Stability	Government Effectiveness	Regulatory Quality	Rule of Law	Control of Corruption
Albania	50.2	39.8	45.0	56.5	**35.1**	**26.8**
Bos. & Herz.	**44.6**	28.9	**38.8**	51.2	48.3	49.3
Bulgaria	58.8	58.3	60.3	**69.4**	51.2	52.2
Croatia	63.5	**64.5**	**72.3**	66.5	59.7	57.4
FYROM	49.8	33.2	51.7	61.2	47.9	**59.3**
Greece	**67.3**	38.4	62.2	68.4	**63.5**	51.2
Kosovo	42.2	**15.2**	41.6	52.6	35.6	30.1
Montenegro	56.4	64.0	59.8	53.1	55.5	55.0
Romania	57.8	48.8	43.5	68.9	55.9	50.7
Serbia	55.9	38.9	50.7	**50.7**	44.1	48.3
EU-15 (Average)	**89.6**	**73.7**	**88.8**	**88.5**	**89.1**	**87.02**

Source: World Bank Institute, Worldwide Governance Indicators online database.

A comparison of the indicators for the CEE countries with the corresponding EU-15 averages does not yield a great distance between them, whereas the SEE countries have a long and difficult road to travel before they achieve convergence with the EU-15 averages.

More specifically, Table 3 (SEE countries) shows that:

(a) **Accountability** ranges from 44.6 for Bosnia Herzegovina (BIH) to a maximum of 67.3 for Greece (GRE), while the figure for the EU-15 is 89.6. The indicators for the other SEE countries lie between the lower and upper limits (see Table 3, and the EU-15 average).

(b) **Political Stability** ranges from 15.2 for Kosovo (KOS) to 64.5 for Croatia (CRO), while the figure for the EU-15 is 73.7.

(c) **Government Effectiveness** ranges from 38.8 for Bosnia Herzegovina (BIH) to 72.3 for Croatia (CRO), while the EU-15 figure is 88.8.

(d) **Regulatory Quality** ranges from 50.7 for Serbia (SER) to 69.4 for Bulgaria (BUL); the EU-15 figure is 88.5.

(e) **Rule of Law** ranges from 35.1 for Albania (ALB) to 63.5 for Greece (GRE), while the EU-15 figure is 89.1, and finally,

(f) **Control of Corruption** ranges from 26.8 for Albania (ALB) to 59.3 for FYROM, while the EU-15 figure is 87.0.

There is a number of reasons and explanations for the distance separating the EU-15 from the SEE countries. They include a shortage of jobs and low flexibility in the labour market, which, combined with inadequate training, drives many people towards a rent-seeking economy, withdrawing entirely from the formal labour market and living on transfers of various kinds (e.g. unemployment benefit, early retirement or retirement at a relatively young age, as well as other social benefits, many of which are not targeted at those who are really poor and vulnerable), and, of course, to a grey economy much larger than that of the EU-15.

It is generally accepted that financial institutions are ineffective in the SEE countries. Although there is no generally accepted theoretical view in relation to the genesis of economic institutions, it is generally believed that most of them are designed and imposed by political process, through a top-down approach. This means that political institutions are prior to, take precedence over and may control economic institutions[2], a state of affairs which obviously runs counter to the Marxist view of an underlying economic structure supporting a political superstructure. It is our view that the genesis of economic institutions is complex: they are rooted in the special history of the region, which was under Ottoman rule for around four centuries, subject to the Islamic systems of law and public finances, and shaped by national cultures, religion, cultural practices (customs and traditions), and of course economic and social necessities, not to mention the special interests and expediencies which shape all political decisions.

[2] See Doran Acemoglou-James A. Robinson: *Why Nations Fail, The Origins of Power, Prosperity and Poverty*, Crown Business, New York, 2012.

However this may be, for new (economic) institutions to be created, or for existing institutions to be reformed, two things are necessary: political will, and a decision by the political leadership of a country. In the years since the collapse of the socialist regimes, the countries of south-eastern and central-eastern Europe have been preoccupied, in a region of great instability, with their own security and stability; they have paid little or no attention to the creation or real reform of existing economic and legal institutions.

However, the appeal of the EU, and the desire of the CEE and SEE countries to complete the EU accession process, has been 'the main driver of institutional reforms, particularly reforms of economic institutions to make them compatible with the institutions of the EU member states, the latter being viewed as beneficial to economic growth'[3]. One might, and perhaps should, maintain that 'the reform of economic institutions which was driven externally, must now be driven internally'[4]. Correct as this proposition might be, implementing it is no easy matter. Among other obstacles, there is the major problem of the electorate in these countries, as well as the ruling party/government and the role of the media.

Governing political parties, anxious to retain power (or at least administration) tend to avoid clashes with vested interests, especially when unemployment is high; opposition parties are always lying in wait, keen to increase their share of the vote and seize the reins of power.

When workers in state enterprises and agencies, and in the public sector in general, learn of an intention on the part of governing parties to reform institutions, especially economic institutions, they fear for their jobs; and this fear makes the public sector workforce an *ex ante* political obstacle to reform. If, in face of this opposition, governing parties proceed to reforms, with job losses not counterbalanced by the creation of new jobs in the private sector, then those who have been made redundant will now constitute an *ex post* political obstacle to the implementation of the reforms decided on, and to any further reforms, because they will lend their support to anti-reform political parties.

Failure to progress with institutional reforms (particularly of economic institutions) deters investment (both local and, more importantly, foreign) which might generate economic growth and new jobs, with the result that unemployment remains high, if, indeed, it does not actually increase.

Such a state of affairs leads, of course, to a forced redistribution of income, with a relatively small share going to the losers from the transition or reform. The bulk of the redistributed income is channelled to the 'new' political and economic elite. However, if this 'new' elite, whose members include the internally oriented economic and business class that live off the state (which, protected from competition, does not proceed to make any innovative investment that might involve risk) and the various vested interests, does not believe that its interests are sustainable, then it may concede the need for institutional reform, but will do its utmost to keep it within certain limits.

At all events, for economic growth and prosperity to be sustainable, it is necessary that economic, legal and political institutions not be closed, but be open and representative.

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[3] See Boris Begović, *The political economy context of economic growth in South East Europe,* Defining a New reform agenda. Paths to Sustainable Convergence in South East Europe, South East European Studies at Oxford (SEESOX), February 2013, p. 15.

[4] Boris Begović, *op. cit*., p. 16.

Because closed political institutions forge, in their turn, closed economic institutions, and these in their turn lay the foundations for perpetuation of the closed political institutions. Nor do closed institutions favour creative destruction (Joseph Schumpeter) and innovative technological change. They do, however, exacerbate inequalities and tensions between the elite in control of the closed institutions and those who challenge them – the result being either a pluralistic sharing of political power, or a prolonged crisis, probably ending in political instability[5].

Greece is a case in point. It is a country which, by contrast with the SEE and CEE countries, with their centrally planned economies, enjoyed a 'free market economy' and democratic government (except during the seven-year military dictatorship of 1967-1974), and which has been a full member of the EU since 1981 and of the Eurozone since 2001. In other words, it had had ample time to be influenced by the 'EU and Eurozone factor' in respect of the necessary institutional changes, which should have proceeded to the stage at which they are internally driven. Nevertheless, the reality is that in comparison with those of states at the core of the Eurozone, Greece's institutions remained relatively closed. The political and business class of the country had not risen to the challenge of the times, and long overdue reforms had still not taken place.

Now however, thanks to the great crisis and the consequent imposition of stringent controls by creditors, it should be possible for Greece to take steps towards modernizing its models of production and administration. Action is already being taken in the areas, among others, of opening up closed professions, and doing away with or at least drastically reducing the role of cartels in the market for goods and services, giving us reason to hope that the internal market will function more efficiently and production of internationally saleable goods and services will be boosted.

By way of example we might cite the OECD report which recommended the rescinding of 329 outdated legislative provisions on competition and tackling of market distortions in four sectors of the economy: food processing, retail trade, tourism and building materials. These four sectors represent 21% of GDP and 24.8% of total employment in Greece. If just 66 of those 329 provisions were removed, it would be enough to add 5.2 billion Euro to the country's GDP[6].

I myself would readily claim that after six years of recession and harsh austerity, and four years of strict supervision by the Troika, the outmoded features, closed professions, inhibition of production and growth, of both structure and superstructure have still not been dismantled, and this means that when supervision by our creditors is lifted the old, outdated establishment will once again attempt to rear its ugly head.

I shall now move on to examine some weaknesses of the political culture and practices in countries of our region, weaknesses which limit their ability to create and/or adopt contemporary institutions which would accelerate convergence, on the economic, social and political levels, with the developed countries of the EU and the Eurozone.

[5] Doran Acemoglou-James A. Robinson, *op. cit*. pp. 145ff. (Greek edition).

[6] See *Ta Nea* newspaper, The OECD has made 329 recommendations to stimulate competition. 3-5/1/2014.

The role of the state

The state is the most important, indeed vital, institution on the national level. Despite its relative weakening in an era of globalization, it continues to be the 'institution of institutions'. For this reason:

- A state must have democratic institutions which enjoy the confidence of its citizens and which operate transparently, rationally and efficiently.
- There must be clear separation between the legislative, executive and judiciary.
- The state must operate with intelligence and efficiency, both in legislating and governing, and in the administration of justice by an experienced, highly trained, non-bureaucratic, honest, independently minded judiciary and judicial system.
- The state and public administration must operate independently of party political interference, transparently, without excessive red tape, bribery and corruption.
- The governance of the state must be consistent and, above all, effective, both in the creation of an economic, social and internet infrastructure, and in the enactment of clear laws, easy to implement, which will promote growth and deliver:
    - ✓ A stable, simple, fair, transparent, pro-growth, revenue-yielding and internationally competitive tax system
    - ✓ Investment, (international) trade, the labour market, competition among businesses
    - ✓ Active and effective policies, financial transparency and access to credit
    - ✓ Responsibility and protection in the area of property rights
    - ✓ Conciliatory institutions to resolve business disputes, not only by means of the courts, which must overcome their deficit in the areas of suitability and independence, but also through alternative, non-judicial administrative mechanisms for resolving differences, such as arbitration, which is still underdeveloped in all the countries of south-eastern Europe.

Lack of clarity in legislation, which is often deliberate, allows too many different interpretations of the laws. This means the court schedules are overcrowded, and final rulings on cases may take as long as 10 or 12 years to be handed down. This delay weakens or nullifies the positive impact on economic activity expected from new legislation while increasing production costs and the costs of doing business, and reducing profits.

Obviously, the final success of any economic policy, in both its drafting and, most of all, its implementation, depends greatly not only on the quality of public administration and the political culture[7], but also more generally on the patterns of behaviour and values current in the community; moving those patterns and values in a positive direction will take time and effort.

[7] See Nikiforos Diamantouros: Δημόσια διοίκηση και ανάπτυξη: Οι πολιτισμικές διαστάσεις μιας κρίσιμης σχέσης [Public administration and development: Cultural dimensions of a critical relationship], in: Ελληνική Οικονομία: Κρίσιμα Ζητήματα Οικονομικής Πολιτικής, [The Greek Economy: Critical issues in economic policy], ALPHA BANK, Athens 2008, pp. 161-180.

The absence of a stable institutional framework, which usually manifests itself in frequent, sudden changes in the rules of the game, and in complex, non-transparent procedures, generates a general sense of insecurity, which encourages 'a logic of short-term perspectives and thus an inability to frame long-term, credible policy for the economy'[8] and for other areas of national life. This is why the degree to which the 'rules of the game' are properly codified and institutionalized, the stability and predictability of a country's institutions, are such important factors in promoting the complex work of socio-economic and even cultural progress.

The cultural model for defining cost-benefit which governs the framing of public policy in many, if not all, countries in our region is constructed using zero-sum logic, leaving no margin for more consensual outcomes governed by the 'positive sum' logic and the concept, inherent in the latter, of compromise, compromise all too often being seen as a demeaning defeat. It is for this reason that the quality of being 'uncompromising' is valued so highly in the popular imagination, where it is associated with indiscipline and resistance to institutions and the state[9].

'Zero-sum logic, then, and the cultural model associated with it, lead us back to the familiar concept of political cost, which is directly related to the absence of stable institutional frameworks for the framing of public policies with long-term development objectives'[10]. The political parties, parliament, the executive, the judiciary, public services, with their culture of red tape and bribery, and even the mass media have all lost to a greater or lesser extent their credibility. As a result, citizens and businesses feel even greater suspicion of all these institutions, particularly the mechanisms of public administration, and will resort ever more frequently to lawless or illegal practices.

It is worth mentioning here[11] that the quality of the democratic structure of a country is of decisive importance in the creation of an institutional environment able to promote economic growth and progress. The key features of such a structure are transparency, accountability, institutional counterbalances to the exercise of executive power, the smooth, unimpeded functioning of the rule of law, a consistent, clear framework of rules enshrined in legislation, robust judicial enforcement of legislative rules, and the various forms of interdependence and synergy which bind all these features together.

There is a need, then, not only for the appropriate policies, but also for the appropriate political procedures, which allow the implementation of effective public policy. Therefore we cannot separate the capacity of the state itself to reform (modernisation and rationalization of its organization, the process of taking decisions and, above all, their implementation) from the social capabilities of a community to tackles the issues arising from management of a large number of changes.

It is necessary a) that day-to-day government administration should conform to plan and function systematically, efficiently and in a coordinated manner, and b) that governance should lay down objectives for political intervention and the establishment of new rules, and

[8] Nikiforos Diamantouros, *op. cit*.
[9] Nikiforos Diamantouros, *op. cit*.
[10] Nikiforos Diamantouros, *op. cit*.
[11] See Tasos Yiannitsis, Introduction to Ελληνική Οικονομία: Κρίσιμα ζητήματα Οικονομικής Πολιτικής, [The Greek Economy: Critical issues in economic policy], ALPHA BANK, Athens 2005.

for the promotion of new attitudes and/or strategies, determining the ways in which the parties involved should function and defining their roles. Because there is not really any mystery about what needs to be done, or about the differentiation among the various political players. The difficulty lies in the 'how to do', rather than the 'what to do'. It lies in determining the method we should adopt to attain the goals we have set[12].

For as long as the political leadership and class[13] lack the knowledge required to prevent their ideology and campaign promises, or their frequently ambiguous discourse, from taking the place of scientific analysis, and for as long as they lack the inspiration, will and determination to free society and the economy from excessive legislation and red tape, corruption and nepotism, client politics and absence of meritocracy, then, even if those classes are not seeking their own social advancement and enrichment (whether for themselves or their families), any reform of institutions will remain purely theoretical and will never bring about the anticipated results. It may even strengthen such 'informal negative institutions' as the grey economy and corruption.

Therefore, above and beyond the pursued convergence of our countries' socio-economic indicators with the EU averages, it is essential first to achieve 'political convergence', to bring methods of governance in our region closer to the models used in the more advanced European countries (see Tables 1, 2 and 3 above), even though these, of course, in the context of the European Union, do not yet give a proper democratic voice to the European Demos (electorate). By 'political convergence' I mean convergence in capacity of our political system and system of governance, in the context of the real capabilities of society and in a reasonable time frame, to realize objectives it has promised its citizens it will attain, at the lowest possible economic and social cost[14].

It would appear that those who take an active part in politics have abandoned the old idea of public service in favour of the pursuit of a lucrative career. Management of public affairs has now become almost a form of asset management for political parties, and particularly their leaderships. The parties-as-corporations which are now run as 'businesses' and 'oligopolies' are proving the death of true politics (Alain Touraine). The very people who should be the bulwarks and pillars of democracy have become the greatest threat to it[15].

In an interview given to *Repubblica* in June 1981, Enrico Berlinguer chose, instead of speaking from a left-wing vantage point on the 'structures of capitalism', to make the following remarks: '*… the moral issue as the primary and most substantive political question. Because on its resolution depend recovery of trust in institutions, effective governance of the country and the ability of democracy to defend itself*'. He had spoken of the transformation of political parties into '*power and clientele machines'*, with scant awareness of the problems of society, which simply '*manage interests*' as they continue their mutation into 'federations of movements and conspiratorial cabals…'[16].

[12] Tasos Yiannitsis, *op. cit*.
[13] See T. Veblen: The Theory of the Leisure Class, New York: Dover Publication, 1994.
[14] See Tasos Yiannitsis, Η πολιτική διαχείριση της οικονομίας, [The political management of the economy], *To Vima* newspaper, 23.4.2006.
[15] See Pavlos Tsimas, «Το ηθικό ζήτημα», [The moral question], *Ta Nea* newspaper, 28-29/12/2013.
[16] Pavlos Tsimas, *op. cit*.

We should not, of course, overlook the fact that in an era of globalization contemporary economic and social developments have become far more complex, making it much harder for the legislature to generate clear and practical laws (and here vested interests are often protected by deliberate ambiguity), and for the executive to ensure (or even wish to ensure?) compliance with the laws, which are often flouted in the name of liberty. One attempt to fill these gaps has been seen in the rise of Independent Agencies and NGOs. The former are invested with power and resources and called on to oversee, regulate and ensure the implementation of legislation in all areas. The latter, usually established on a voluntary and not-for-profit basis, funded by civil society and the state, seek to respond, at home and abroad, to the various social, humanitarian, cultural and economic needs of contemporary societies. Sadly, in Greece at least, a number of NGOs have been insufficiently supervised and have failed to manage transparently the subsidies they have received from the state; in fact, some of them have misused public funds, perhaps even in collusion with political figures and government functionaries.

Therefore the battle against corruption needs to begin with the political system and with parliamentary candidates, before extending to take on the whole public administration. Parliamentary candidates spend large sums of money in their quest for votes, and this need for money delivers them into the hands of the businessmen and media moguls who can find and channel to the candidates what we call 'black political money'. The result: a loss of independence and credibility for the politicians, who end up as 'bad examples' to the electorate, as models of corruption. It would be preferable to change to an electoral system (e.g. election by open list[17] or abolition of the cross system) which would make candidates less dependent on the current 'party list' system, and therefore on financial backing.

In light of current Greek experience, I believe that there are certain other practical steps we might take to reform the parliamentary system. For example: abolition of parliamentary privileges and immunity; a level of pay for MPs which is not an insult to the average wage-earner; a clearer division between legislative and executive functions, by making parliamentary and ministerial office incompatible. Moreover, rationalization of all instruments and documents embodying transactions, as well as all 'indirect' payments, together with a full utilization of contemporary technology, and last but not least a meaningful and verifiable process for declaration of MPs' assets, all these measures would significantly curtail red tape, tax and contributions evasion, and corruption.

Of course we should point out that the political system itself, at least in Greece, suffers from a type of 'institutional anti-systemism', in that the basic pillars of the system of government are incapable of reaching any understanding, however rudimentary, with one another. Also, many Greek citizens view with suspicion the rules of operation of society decided and imposed on them by the (central) state, perhaps because they regard these rules as 'unfair', and/or they believe that in a society without rules or laws, i.e. a state of anarchy, everyone will be free to live as he wishes. But the truth is, of course, that functional anarchy in a society makes life intolerable, especially for the weak, because the rule of law is replaced by the law of the jungle.

[17] Open list of candidates: if the voter disagrees with the order of candidates proposed by the party, he can place a cross against the candidate of his choice. This system would respect the freedom of choice of the citizen/voter.

In conclusion, the countries of (mainly) south-eastern Europe, particularly in the contemporary era, will not be able to attain economic growth and prosperity without, in addition to the immediate defining factors such as investment, capital, a skilled workforce and technical progress, laws and rules, which will facilitate the introduction and consolidation of open political and economic institutions, like those found in the core nations of the EU. Progress in this direction will be assisted not only by domestic, creative forces, oriented to exports and the international arena, but also the EU accession process, and the pressure exerted by competition in the globalized market.