The Economic Crisis and Retardants of Growth in Greece

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ABSTRACT

The development of special interest groups may alter the structure of incentives and the direction of a society’s development. Governments are systematically influenced by special interest groups. The slowdown in the adoption of new technologies, the non-adjustment of the economy, and the focus on the distribution of the “pie” rather than the enlargement of the “pie” due to the activity of the interest groups lead to a certain rigidity in society, a lack of reforms and a lack of competitiveness. Any attempt reform and the society fails because of the strong resistance of these lobbyists until the inevitable occurs for both society and the economy. Awareness of the perverse role of interest groups by more and more people, but mainly by public policy makers, will significantly reduce the losses suffered by society from their activity. This is an expectation of all who espouse a society that will minimize economic and social inequalities. The unveiling of the role of special interest groups and the removal of privileges will transform Greece into both a healthy society and economy.

KEYWORDS

Economic Growth, Greek Financial Crises, Group of Interest, Lobbying, Privileges, Reforms, Society Development, Technology Adoption

1. INTRODUCTION

There are growth retardants in some countries, and some time periods impede economic growth, while the dissolution of these retardants or their absence in other countries push them rapidly towards economic growth.

These retardants are private special interest groups such as: similar ventures (cartels), lobbies (even without formal recognition), trade unions, professional associations, agricultural organizations, labour unions, etc., which are struggling to achieve favorable changes and legislation that protects their interests, in order to prevent legislation that reduces their privileges, and to enforce a higher price or wage for their members at the expense of the societal whole (Olson, 1982).

Interest groups can be found at any level, but those who can profit either through a lobby or through a cartel at the national level are usually those small groups of important businesses or some rich and powerful individuals.

It is taken for granted that if everyone in a group of individuals or businesses has a common interest, then the group will try to promote this interest. The paradox is that large groups, at least those composed of rational individuals, will not act in the interests of their group. This paradox is
the logic of collective action. This is the behavioural paradox of a large group (Olson, 1971). Groups with a large number of members, like the poor or the unemployed, or taxpayers, do not have selective incentives that enable them to organize themselves to deal with their exploitation from the lobbies of small interest groups. The reason is that any benefit resulting from organized demands will be split among too many members so the benefit for each member is infinitesimal. However, a few large firms or a few wealthy individuals, or small business groups, despite comprising a small number of members, can be organized in a lobby with disproportionate organizational power, since the benefit for each member of the group can be quite significant.

The greater the number of individuals or companies that would benefit from a collective claim, the smaller the share of the benefits from the activity for the collective interest that would arise for the individual or business that takes action. Thus, the lack of selective incentives, the motivation for group activity, declines with the size of the group; therefore, large groups are less able to act on their common interest than smaller ones (Margolis, 1982; Lohmann, 2003; Trumbull, 2012).

Because of the lack of selective incentives, there is greater inequality in the opportunity to create interest groups than there is in the inherent capacities of individuals. This inequality of opportunity results in large groups such as, for example, the unemployed being unable to organize themselves to form their own interest group and to ward off the damage suffered due to other organized groups. This explains paradoxical phenomena such as ‘the exploitation of the bigger by the smaller’. Society will not be able to achieve efficacy because some societal groups (which represent the majority of society) - due to a lack of organization - are too weak to prevent changes that are detrimental to them, or to process negotiations with others in a mutually beneficial way. With some groups being excluded from the negotiations, the results will certainly be biased in favor of other groups (Olson, 1966; Sandler, 1980).

The small groups that can organize themselves or participate in collusion will have different interests in different countries at different time periods. At a certain time, they may be oligarchic landowners, at another time they may be manufacturing enterprises, and at others bureaucratic groups, etc. In one country they may have a legitimate interest in exports, in another it may be the substitution of imports, in yet another it may be the prevention of the creation of new businesses, and others it may be the selective access to public expenditures etc.

The logic of the collective assertion of special interest groups is not immediately obvious to those who have not studied the topic. The reason for this is that the average person has no incentive to spend a lot of time studying many of the choices concerning collective demands.

Governments are systematically influenced by special interest groups, the demands and pressures of small groups that are able to organize themselves rather quickly and hamper the work of prudent governance. The slowdown in the adoption of new technologies, the non-adjustment of the economy, and the focus on the distribution of the “pie” rather than the enlargement of the “pie” due to the activity of the interest groups lead to an inelastic society, a lack of reforms and a lack of competitiveness, which altogether have resulted in a progressive decline of both society and the economy. The great difference in productivity among countries is due to the role of these groups (Olson, 2000).

Unemployment is rising, social inequality is widening, prudent governance is being prevented. Even when some temporary economic growth is achieved, it is accompanied by high unemployment. Any attempt to change, reform and adjust society fails because of the strong resistance of these lobbyists until the inevitable occurs for both the economy and society.

Special interest groups are detrimental to economic growth, full employment, prudent governance, equal opportunities and social mobility.

2. SPECIAL INTEREST GROUPS ARE DETRIMENTAL TO ECONOMIC GROWTH

The development of special interest groups - motivated by conquering a larger share of the national income - the increasingly more complex regulation and the influence of state action which the groups