

# Athens as a Model for Europe



A glance at today's **Greece and Europe** and their future perspectives inspired by decentralised Ancient Greece

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Political and economic problems still persist  
in **Europe**  
even after 6 years of crisis

**Case study to examine  
Europe's problems ?**

# The most significant system related problems of political economy in **Europe** and **Greece**

Factors that **undermine economic progress** in Greece :

- inflexible **labor market**
- not efficient **justice**
- difficult and time-consuming to **do business**
- closed **markets** and irresponsible **trade unions**
- big **state**
- inefficient **tax system**
- continuous current account **deficit**

**Weak** political institutions:

- too much **bureaucracy**
- inefficient public sector = **unqualified + unskilled**
- **corruption**, clientelism
- inflexible **constitution**
- **abuse** of power

**Many problems** linked to:

- too much centralization of political power in **Europe**
- especially too much centralization in **Greece!**

**Solution?**

# A combination of the right mix of decentralized and centralized policy making

(similar to functional jurisdictions; c.f. presentation by Bruno S. Frey)



**Like in ancient Greek City States**  
(learn from ancient Greeks)

What kind of decentralization do  
we need for today's Europe?  
**Functional decentralization!**

# Functional Decentralization

or see “Ancient Greece City States”

- 1. Empower democratic institutions and decentralize:**
  - > Allow local *referendums* (e.g. Feld & Kirchgässner 2000, Craig et al. 2001)
  - > *Reduce* abuse of power (e.g. Trechsel & Sciarini, 1998) + *improve* the quality of the public workforce
- 2. Decentralize economic and political power:**
  - > *Reduce* corruption (e.g. Fisman & Gatti 2001) + decentralize fiscal control
  - > *Reduce* the power of the trade unions
  - > *Better* transparency + *easier* to do business (e.g. Alt et al 2014)
- 3. Decentralize tax system:**
  - > *Lower* bureaucracy + *less* tax evasion (e.g. Frey & Torgler 2007)
- 4. Promote decentralization by renewing the political system :**
  - > *Make* constitution stronger, more functional and flexible + *faster* rule of law

**Only  
Decentralization?**

**No! Some policy decisions  
remain central or even become  
international**

**Like in ancient Greek City States  
(learn from ancient Greeks once more)**

# Policy making which needs to become more central :

## 1. EU Level:

- *Common* economic rules for mobility and trade
- *Common* defense policy
- More common EU foreign-immigration policy
- Some clever fiscal union (difficult to do)

## 2. National Level:

- *Privatization* of national assets
- More flexible *labor markets*
- Reform national *pension system* (less costly + more sustainable)
- Downsize *national public sector*

*But will Europe follow more  
decentralization?*

**Too early to say... certainly not if Greece does not provide a  
positive example as in the past...**