

WHAT'S WRONG WITH SOUTHERN EUROPE: ITS ECONOMIES, ITS POLITICS OR BOTH?

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Five years of economic crisis has turned most opinion leaders in southern Europe into veritable "economic zombies". The prevalent view seems to be that the main challenges faced by the south are economic. All that needs to be done is to address the lack of competitiveness, the living beyond our means, burgeoning debt-mountains which have grown bigger as a result of the increased borrowing during the financial crisis and unemployment.

There is no doubt that these are the problems that need to be tackled quickly.

And yet these are not only problems in themselves, but also the symptoms of a deeper malaise. I think that they point to a crisis of politics. For, although most of the economic problems can be traced back in time to a definite point, we cannot by this claim to have discovered their cause. The cause is to be found beyond that point, in the political decisions that should have been taken but were never taken and political decisions taken which should have never been taken.

Voters have made the connection between the politics and economics of the crisis and this has been manifested in the way that they have ditched some politicians and promoted others and in the shift that has taken place to new, often radical political movements. But will this 'change of allegiance' take us far enough? Is this the medicine which will cure the malady? Indeed with few exceptions, many of the politicians who returned to power riding on this wave of disillusionment came from the 'establishment' and therefore need to be considered as part of the problem, not of its solution.

One other thing which is fogging our windscreen is that in many of the worse hit countries politicians and voters blame the EU, the euro or foreign statesmen when the real authors of the debacle may live just two blocks away in absolute or relative comfort. Frankly, I think that apart from some disadvantages, EU membership and particularly the implementation of EU law and standards as well as the euro have given our countries a lot of advantages and we must not let popular disillusionment and anger blind us to the point of pillorying the wrong guys.

One sector that has remained virtually untouched by European integration has been the southern political institutions and politics. Of course, in moments of popular anger, incumbent governments were overturned and

replaced by the Opposition, but the substance and form of politics, the political institutions remained the same.

I think this is crucial. My humble contention is that the economic challenges in southern Europe are not entirely the result of misfortune, but of a crass lack of political foresight and political ineptitude. So when I look back at the economic crisis I say to myself "yes we need to blame the captain when the hull is breached, but what we really needed were good captains who could spot the reef from afar and steer the ship away from it."

Now that our Europe is moving out of recession and sailing into a calmer but not wholly settled zone with the persistent risk of a return of the dark days, what southern Europe needs are captains who can navigate the ship well, take advantage of the good winds that are blowing their way and move it farthest away from the storm. But will our political systems produce them?

I think that the community of political scientists needs to revisit with greater vigour than in the past, our political institutions and privileges of political elites to assess (as we are doing to the top managers of the industry and the banking sector) whether they also need changing. Italy has embarked on such a task, but will the reformers prevail?

The political crisis in Southern Europe and the lack of political leadership is reflected in some basic governance data produced by the World Bank which I have randomly selected for this short article. These concern four basic indicators: the barriers to business startups and winding up (ease of doing business), control of corruption, government effectiveness and regulatory quality. All of these variables can be changed by political elites if they want to.

I have arranged the dataset for three groups of countries all of them EU member states: Group 1 - the Southern European states and the Balkans; Group 2 - the other countries which joined the EU in 2004 or later; and Group 3 - the rest of the EU member states. The picture which emerges shows that Group 1 countries perform visibly worse than Group 3 which is the best performing group, and to a slightly less extent but still worse than Group 2. Of course there are variations within each group.

Southern Europe needs to compare itself with its EU peers, if it wants to attain better results. Southern Europeans need to look at the economic challenges ahead, but even more at whether national political systems, institutions and elites are suitable for the tasks ahead.

Some EU Governance Indicators

Groups of Countries	Country	Ease of doing Business Index 2013 (1 = most efficient)		Control over Corruption	Government Effectiveness	Regulatory Quality
		World Ranking	EU Ranking			
		-2.5 weak / 2.5 strong				
Southern Europe and the Balkans	Bulgaria	58	21	-0.24	0.14	0.54
	Croatia	89	27	-0.04	0.7	0.44
	Cyprus	39	16	1.24	1.38	1.12
	Greece	72	24	-0.25	0.31	0.50
	Italy	65	23	-0.03	0.41	0.73
	Malta	103	28	0.96	1.24	1.31
	Portugal	31	12	0.93	1.03	0.81
	Romania	73	25	-0.27	-0.31	0.54
	Slovenia	33	13	0.81	1.02	0.61
Spain	52	19	1.05	1.11	0.94	
Other states which joined the EU in 2004	Czech Rep	75	26	0.23	0.92	1.06
	Estonia	22	8	0.98	0.96	1.40
	Latvia	24	9	0.15	0.83	1.00
	Lithuania	17	6	0.31	0.83	1.10
	Hungary	54	20	0.28	0.62	0.97
	Poland	45	17	0.59	0.66	0.96
	Slovakia	49	18	0.07	0.83	1.03
Other Member states	Austria	30	11	1.35	1.56	1.51
	Belgium	36	14	1.55	1.59	1.22
	Denmark	5	1	2.39	1.97	1.79
	Finland	12	3	2.22	2.21	1.82
	France	38	15	1.42	1.33	1.11
	Germany	21	7	1.78	1.57	1.53
	Ireland	15	5	1.45	1.53	1.56
	Luxembourg	60	22	2.12	1.66	1.76
	Netherlands	28	10	2.13	1.80	1.75
	Sweden	14	4	2.31	1.94	1.89
UK	10	2	1.64	1.53	1.64	

Source: World Bank – Ease of Doing Business Index at <http://data.worldbank.org/indicator/IC.BUS.EASE.XQ>; World wide governance indicators at <http://info.worldbank.org/governance/wgi/index.aspx#home>