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Book Discussion

G.C. Bitros and A.D. Karayiannis, 2013, “Creative Crisis in Democracy and Economy”
Springer –Verlag, Berlin Heidelberg, ISBN 978-3-642-33421-4.

I felt honoured and privileged when asked to discuss the book by George Bitros and Anastasios Karayiannis under the title ‘Creative Crisis in Democracy and Economy’. Both authors were teachers of mine although in different capacities. Prof Bitros taught me the principles and mechanisms of economic markets at the Athens University of Economics and Business, and the late Prof Karayiannis offered me insightful guidance and mentoring when I joined the Department of Economics at the University of Piraeus.

The book is a research-based endeavour to enlighten the path to social progress through democracy and economic markets. It offers an in depth exploration of the contemporary and important issue on the relationship between representative democracy and the free operation and mechanisms of markets. The book builds on strands of literature which explore the intellectual underpinnings of whether democracy promotes economic development, and whether economic markets contribute to economic development. Using this approach as an analytical framework, the authors move on to unveil the beneficial and detrimental effects of this relationship for a particular country, Greece. Thus, the contribution of the book is two fold; firstly to set up a model of analysis of the linkages between markets and democracy and, secondly to apply this model to explaining the creative crisis of contemporary Greece. This approach highlights paramount principles that citizens and politicians need to use as a guide for avoiding the drawbacks inherently related to representative democracy.

The book draws insights on the democracy – markets nexus from the political and economic system in ancient Athens 25 centuries ago, from the democracy which reappeared more recently in the West two centuries ago, and from the current form of representative democracy over the last century. Although the book is full of important results and suggestions for citizens and politicians, its major landmark concentrates on the (agency) cost which arises in the relation between citizens and political agents, which can be interpreted as an indicator of the strength of the crisis. In representative democracies, citizens grant the sovereign right to agents (politicians) to decide on their behalf; this creates an agency cost. The magnitude of this cost is important in shaping the eventual form of democracy, on the condition that this cost is absorbed by the citizens. The higher the cost, the closer citizens act as if they participate in a direct rather than in a representative democracy. Importantly, the

authors outline the parameters which play a crucial role in the dynamic evolution of democracy, placing emphasis on the technological developments, the access to knowledge, the access to the state and the markets, and the need for a safety net against the uncertainties arising from moral hazard.

The book offers a wealth of documented conjectures and insights for both citizens and politicians in their common endeavour to maximize social welfare and progress.

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