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Is Corruption Structural? Financialization and Democratic Accountability in the Eurozone

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Abstract

Purpose: This study asks why modernization may coexist with persistent institutional corruption in Greece. It argues that administrative and governance explanations remain incomplete unless the political position of society is considered. Distinguishing political rights from substantive political freedom, corruption is framed as a political-economy problem arising when expanding economic-financial power is not matched by society's effective political ownership. This asymmetry is conceptualized through the Cosmosystemic Institutional Gap (CIG).

Design/methodology/approach: A theory-building literature review is combined with an exploratory ARDL application for Greece, 1995–2025. Old Institutional Economics is brought into dialogue with institutional political economy, inequality and state-capture research, financialization, Post-Keynesian/Minskyan approaches and Cosmosystemic Gnoseology. WGICC is the main corruption-control measure, with CPI, institutional controls and selected Minskyan proxies used for robustness.

Findings: In the core specifications, real GDP per capita, long-term unemployment, technological progress and credit to non-financial corporations show significant negative long-run associations with WGICC; evidence for speculative and Ponzi-type dynamics is less stable. The results do not establish causality or validate the CIG directly, but they are consistent with institutional and political asymmetry accompanying financialized development.

Originality/value: The paper shifts the focus from corruption as merely an administrative or economic failure to corruption as a problem of politics in the substantive sense: the institutional relationship between society, political authority and concentrated economic power. It connects political freedom, inequality, financialization, endogenous fragility and corruption, using Cosmosystemic Gnoseology to develop political ownership and the CIG as a testable interpretive mechanism.

JEL Classification: D73, D72, D63, H11, P16, G28

Keywords: institutional corruption; politics; financialization; political ownership; inequality and power; state capture; Cosmosystemic Gnoseology; ARDL

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