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SOCIAL SECURITY EXPENDITURES AND FINANCIALIZATION: LESSONS FROM THE GREEK CASE.

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Abstract

Purpose: It is asked the research question “has the social security system been treated by the economic policy in Greece during the period 2000q1-2021q4 with an accounting logic of gradual transformation of the entire economy towards the financialization model?”

Design/Methodology/Approach: This question and relevant hypotheses have been founded on the interrelated versions of the financialization theoretical schemes. The appropriate autoregressive distributed lag (ARDL) modeling has been used in order to estimate the long run relationships but also the short run dynamics of the social contributions and benefits paid (SCBP), with variables expressing the financialization either of the whole economy or in particular that of the state.

Findings: Interesting findings have been revealed. First, through the error correction model has been estimated significant long run relationships of the SCBP with independent variables reflecting various aspects of financialization, like, the respective regime of accumulation, the shareholder value, the financialized state, and the calculative practices of the credit rating agencies. Second, the short run dynamics estimations have highlighted the important role of the financial instability factors, the growth rate of the monetary and financial institutions’ assets, or the share of the financial activities in the gross value added, as well as, the state’s financialization via its debt or budget balance or the benchmark government bond’s yield and fiscal space. Third, the speed of adjustment of the dynamics towards the steady state or cointegration’s relationships has been estimated fast or very fast, that is, the 53%-93% of the adjustment of the SCBP were being made within the next quarter. Fourth, as regards Granger causality tests it is found that variables expressing Greek economy’s financialization Granger causes unidirectionally SCBP, while, financially instability’s factors or country’s fiscal space have been detected to be explained by the SCBP (inverse Granger causality).

Policy/Practical Implications: As the dominance of the financialization paradigm has been verified the sustainability of the social security system should be found for policy makers in economic development and the creation of new jobs able to fund it. Young workers should bear in mind that the famous European welfare state can be brought back for reasons of justice and reduction of inequality, only if the financialization of economies worldwide is reduced.

Originality/Value: The article contributes to the relevant literature by offering empirical evidence for a small open and constantly adjusting economy to the financialization model.

Keywords: Social security expenditures; financialization; ARDL; Greek economy.

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