

The Analysis of the Impact of National Governance Quality on European Consumer Conditions

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Abstract

Empowering consumers and effectively protecting their safety and economic interests have become key objectives of the European Union which promotes a holistic approach in this regard, by taking into account the various consumer issues in developing all its important policies and implementing them in the Member States. In this context, this paper aims to analyze the impact that the quality of national governance has on consumer conditions in the Member States, including United Kingdom.

J.E.L. classification: D18, H80, L38

Key words: consumer conditions, national governance, European Union

1. Introduction

European consumers expect to take full advantage of the benefits of the single market, to have the ability to make informed choices and to play an active role in the European economy, anytime and anywhere. They expect to have free access to goods and services throughout the European Union and to be guaranteed that their rights as consumers will be protected, regardless of the challenges, known or not, that may arise.

To this end, the European Union proposes a holistic approach, which includes various Union policies of particular relevance to consumers, in the development of which it becomes very important to take into account consumer protection obligations (European Commission, 2020). The success of this approach will depend on an extensive partnership involving all relevant interested parties, in strong cooperation between European and national authorities, in order to ensure efficient coordination of actions and the optimal use of relevant funds available at EU level and nationally.

2. Theoretical background

The quality of consumer environment at EU and national level is regularly monitored through two surveys conducted by the European Commission among the consumers and retailers in the Member States, the results of which are synthesized in the **Consumer Conditions Index (CCI)**, a composite indicator based on a set of key indicators grouped under three main pillars:

- ✓ consumers' and businesses' *knowledge of consumer rights, their trust* in institutional actors, product safety and environmental claims and their confidence to trade online;
- ✓ *compliance with consumer laws and enforcement* by different institutional and market actors; and
- ✓ *consumer complaints and the resolution of disputes* between consumers and traders. (European Commission, 2019)

The quality of governance at global and national level is regularly monitored through different surveys conducted by the World Bank Group among a large number of enterprise, citizen and experts in over 200 countries all over the world. The results are synthetized in the **Worldwide Governance Indicators (WGI)**, that aggregate indicators of six broad dimensions of governance:

- ✓ *Voice and Accountability* indicator gives relations on the participation of citizens in democratic elections, complemented by freedom of expression, association, etc.;
- ✓ *Political Stability and Absence of Violence/Terrorism* indicator reflects perceptions of the political instability and/or politically-motivated violence, including terrorism;
- ✓ *Government Effectiveness* measures the quality of public/civil services and its independence from political pressures, the quality of policy formulation and implementation, and government's commitment to such policies;
- ✓ *Regulatory Quality* envisages the capacity of the government to develop and implement strong policies and regulations that encourage private initiative;
- ✓ *Control of Corruption* gives relations on the ability of the government to keep the public power away from private interests interference and reduce such corruption;
- ✓ *Rule of Law* reflects the trust of the citizens in the rules of society and the extent to which they are respected and enforced by different institutions. (Kaufmann *at all*, 2010)

Given the holistic approach proposed by the European Commission to capitalize on the potential of the internal market for the benefit of consumers, we will further analyze the impact that the national conditions of government have on the consumer conditions in the Member States with the help of the relation between CCI and WGI (see Table no. 1).

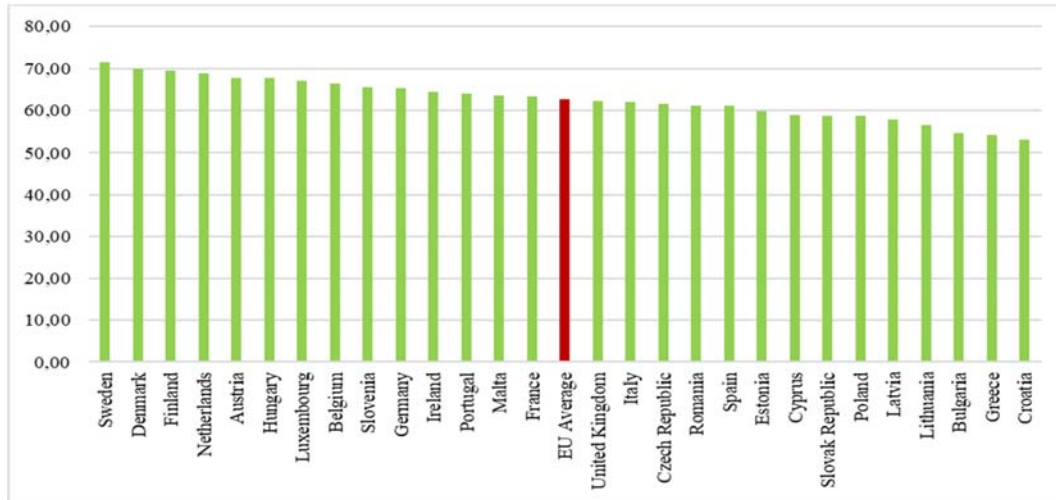
Table no. 1 The values of Worldwide Governance Indicators and Consumer Conditions Index for EU Member States including United Kingdom

EU Member State	Voice and Accountability	Political Stability and Absence of Violence/ Terrorism	Government Effectiveness	Regulatory Quality	Control of Corruption	Rule of Law	Consumer Conditions Index
Austria	1,33	0,98	1,49	1,46	1,55	1,88	67,70
Belgium	1,37	0,48	1,03	1,29	1,55	1,36	66,30
Bulgaria	0,38	0,54	0,34	0,53	-0,16	0,04	54,80
Croatia	0,53	0,76	0,41	0,59	0,13	0,37	53,20
Cyprus	1,08	0,52	0,99	1,01	0,60	0,76	58,90
Czech Republic	0,94	0,95	0,89	1,25	0,51	1,05	61,50
Denmark	1,58	1,01	1,94	1,57	2,11	1,90	69,80
Estonia	1,21	0,64	1,17	1,59	1,54	1,28	59,70
Finland	1,59	0,91	1,93	1,85	2,15	2,02	69,40
France	1,14	0,31	1,38	1,44	1,30	1,41	63,20
Germany	1,34	0,58	1,59	1,72	1,90	1,62	65,20
Greece	0,94	0,29	0,41	0,53	-0,01	0,20	54,30
Hungary	0,22	0,73	0,50	0,60	0,00	0,49	67,70
Ireland	1,34	0,97	1,28	1,60	1,46	1,39	64,30
Italy	0,97	0,46	0,46	0,95	0,24	0,28	62,00
Lithuania	1,02	0,84	1,04	1,16	0,68	1,02	56,40
Luxembourg	1,52	1,36	1,73	1,70	2,11	1,79	67,10
Latvia	0,88	0,45	1,11	1,19	0,48	1,01	57,70
Malta	1,11	1,09	0,86	0,96	0,24	0,95	63,40
Netherlands	1,56	0,86	1,80	1,86	2,00	1,81	68,70
Poland	0,70	0,52	0,60	1,01	0,60	0,45	58,60
Portugal	1,24	1,13	1,15	0,97	0,76	1,14	64,00
Romania	0,49	0,53	-0,28	0,46	-0,13	0,36	61,10
Slovak Republic	0,91	0,78	0,67	1,01	0,33	0,56	58,70
Slovenia	1,01	0,82	1,08	1,01	0,91	1,12	65,50
Spain	1,09	0,32	1,00	1,05	0,65	0,98	61,00
Sweden	1,59	1,05	1,83	1,80	2,12	1,91	71,40
United Kingdom	1,26	0,52	1,44	1,63	1,77	1,60	62,10

Source: (European Commission, 2019) and (World Bank, 2021)

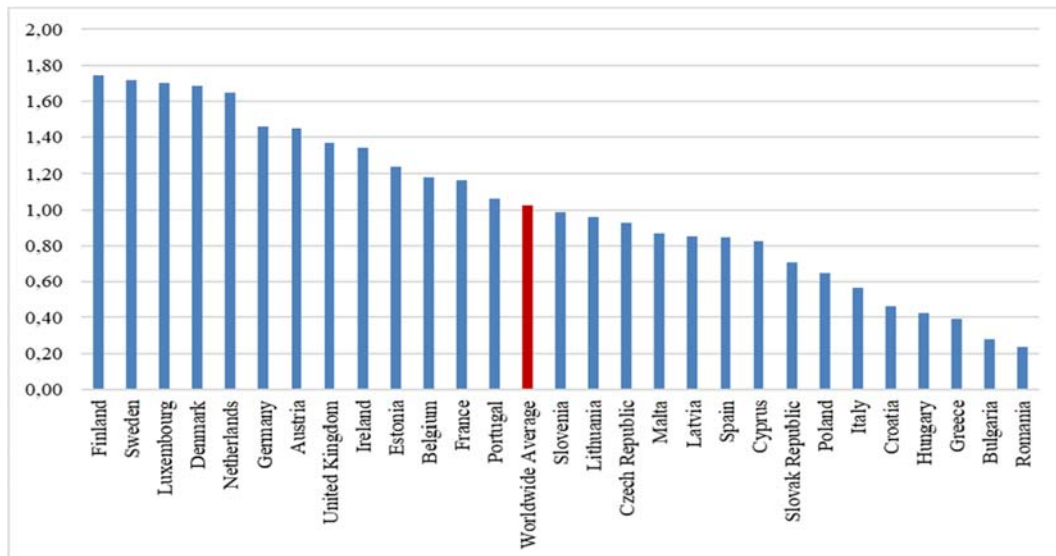
Following the graphical representation of the values recorded by the two index (see Figure no. 1 and 2), it can be noted that the Member States with the best performance in the field of governance are also those that ensure the best conditions for their consumers (these are countries such as Finland, Sweden, Denmark or Netherlands).

Figure no. 1 National Consumer Conditions Index for EU Member States including United Kingdom, in 2019



Source: Graphical representation made by the authors according to Table no. 1

Figure no. 2 The Average of Governance Indicators for EU Member States including United Kingdom, in 2019



Source: Graphical representation made by the authors according to Table no. 1

3. Research methodology

This paper uses data provided by the European Commission and the World Bank Group on the Consumer Conditions Index and World Governance Indicators (available for 2019) to determine the degree of statistical dependence between their values reported for European Union member states, including United Kingdom, with the help of the Excel Data Analysis application.

4. Findings

Following the determination, using the Excel application, of the Pearson correlation coefficient between the CCI and each of the WGI components (see Table no. 2), we found an important positive correlation between CCI and all the Governance Indicators (>50%), the highest degree of common variation being recorded between the CCI and Rule of Law in the Members States (77%), followed, in descending order, by Control of Corruption (74%), Government Effectiveness (69%) and Regulatory Quality Indicators (65%).

Table no. 2 The values of Pearson Correlation Coefficient calculated between Consumer Conditions Index (2018) for EU Member States including United Kingdom and Worldwide Governance Indicators (2019)

Voice and Accountability	Political Stability and Absence of Violence/Terrorism	Government Effectiveness	Regulatory Quality	Control of Corruption	Rule of Law
0,64	0,51	0,69	0,65	0,72	0,77

Source: Authors’ computation using Excel Data Analysis

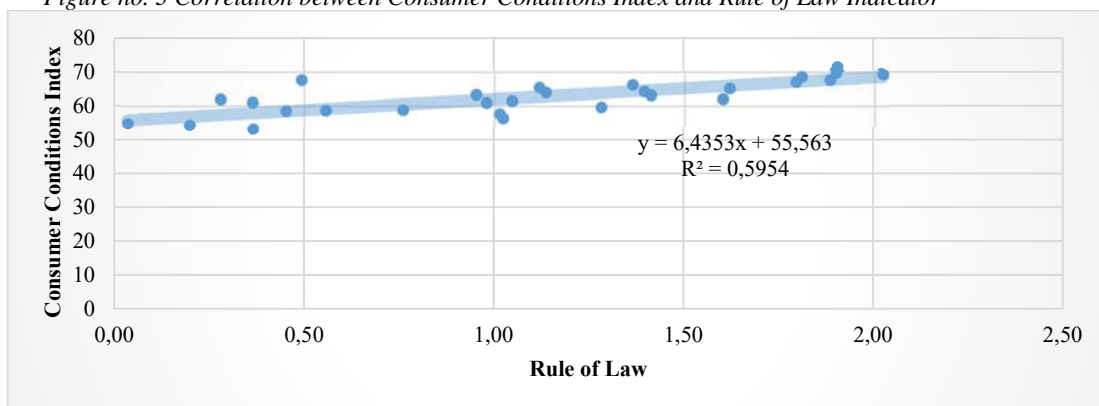
We will further analyze these particular correlations with the help of the Regression function offered by the same application. The results are summarized presented below.

Table no. 3 Summary Output from the Regression Analysis performed between CCI (2018) and different WGI (2019) calculated for EU Member States including United Kingdom

Regression Statistics	Rule of Law	Control of Corruption	Government Effectiveness	Regulatory Quality
Multiple R	0,7716	0,7199	0,68726	0,650643
R Square	0,5954	0,5182	0,47232	0,423336
Adjusted R Square	0,5798	0,4997	0,45203	0,401157
Standard Error	3,2053	3,4975	3,66035	3,826481
Observations	28	28	28	28
P-value/ Significance F	1,53E-06	1,57E-05	5,35E-05	0,0002

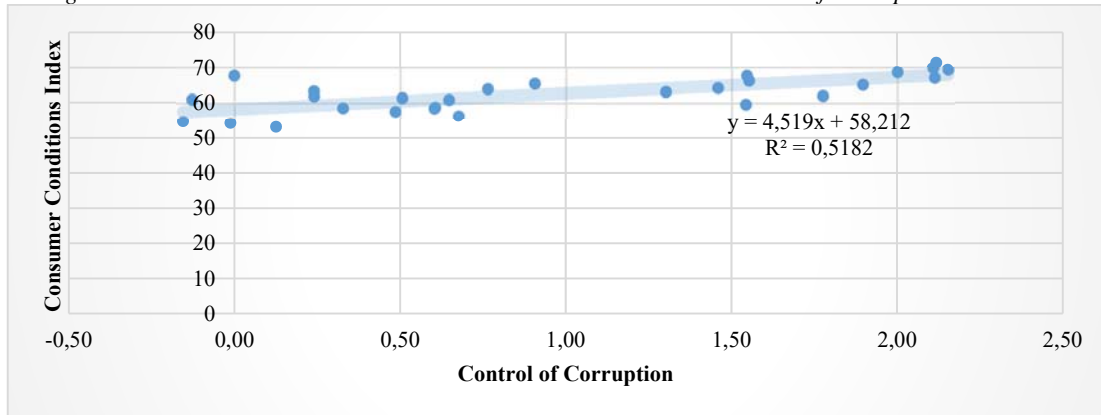
Source: Authors’ computation using Excel Data Analysis

Figure no. 3 Correlation between Consumer Conditions Index and Rule of Law Indicator



Source: Graphical representation made by the authors using Excel Data Analysis

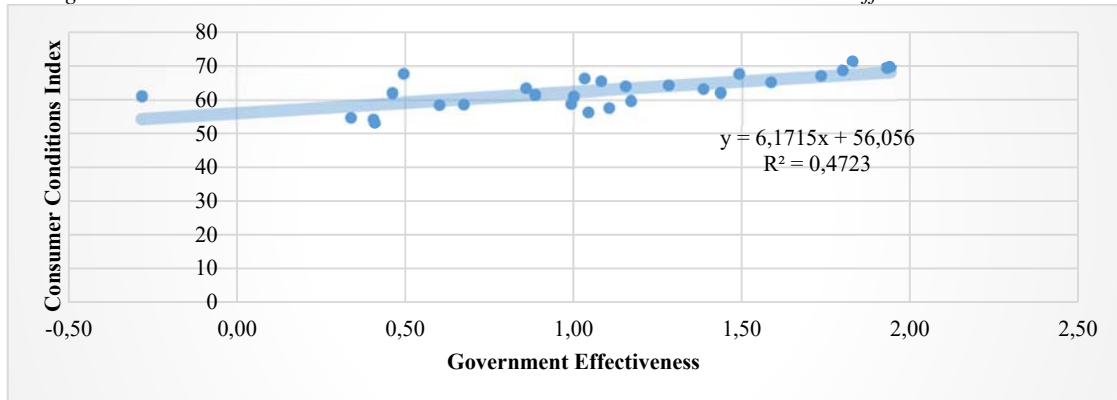
Figure no. 4 Correlation between Consumer Conditions Index and Control of Corruption Indicator



Source: Graphical representation made by the authors using Excel Data Analysis

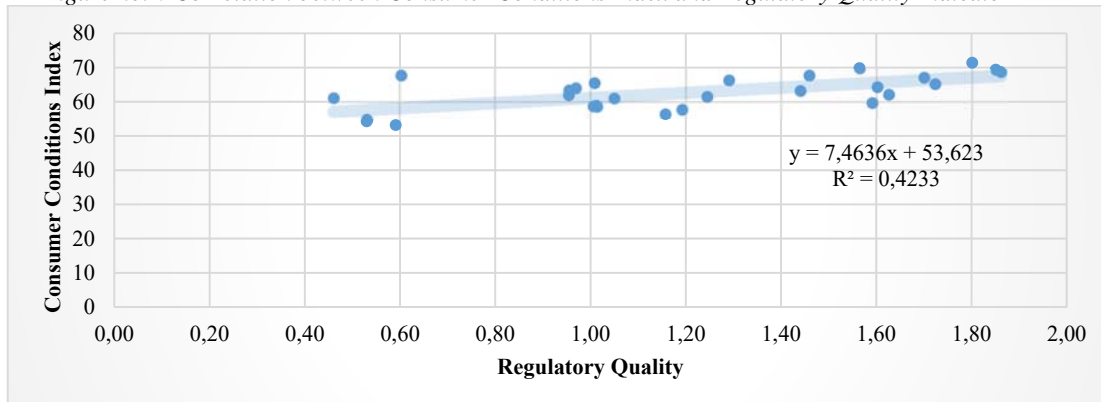
The very small P-value associated with the F-value from above regression models (1,53E-06 for Rule of Law Indicator and 1,57E-05 for Control of Corruption Indicator) show a statistically significant correlation translated into a positive impact (R square values) of the first two Governance Indicators analyzed above (59% and 52%) on the Consumer Conditions Index and calculated for EU Member States including United Kingdom.

Figure no. 5 Correlation between Consumer Conditions Index and Government Effectiveness Indicator



Source: Graphical representation made by the authors using Excel Data Analysis

Figure no. 6 Correlation between Consumer Conditions Index and Regulatory Quality Indicator



Source: Graphical representation made by the authors using Excel Data Analysis

Also, the very small P-values associated with the F-value from above regression models (5,35E-05 for Governance Effectiveness Indicator and 0,0002 for Regulatory Quality Indicator) show a statistically significant correlation translated into a positive impact (R square values) of the last two Governance Indicators (47% and 42%) analyzed above on the Consumer Conditions Index calculated for EU Member States including United Kingdom.

5. Conclusions

Opinion polls conducted among European consumers and traders increasingly show that the discrepancies between different regions of the EU in terms of consumer conditions are shrinking, with consumers increasingly aware of the role they play in the single market. In this context, the development of efficient rules on consumer protection in particular, but also the implementation of coherent policies in general, contribute to strengthening consumer confidence in the single market.

In conclusions, as we showed in the analysis undertaken in this paper, the national governance, and especially the quality of rule-making and related enforcement play an important role in providing high quality consumer conditions for Europeans.

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