Greece’s Imposed Privatization (Denationalization) and its Effects on Individuals’ Utility and Social Welfare

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Abstract

The objective of this work is to present and discuss the pros and cons of privatization or denationalization (transferring the ownership and management of state-owned enterprises to private firms) in Greece and its effect on the economy, financial markets, employment, individuals’ utility, national wealth, and social welfare. Privatization, under normal conditions, might increase efficiency, productivity, and liquidity in the financial markets of an independent nation; but, at the same time, it causes unemployment, dependency on foreign capital and multinational firms, and the worst of all the country loses its national wealth and the social welfare is declining. Greek governments have to increase productivity and efficiency of the public sector and must keep the state-owned enterprises, which provide national security, safety, and other public services, as public ones. Nationalization has proved recently, with the current financial crisis, which has been created by the uncontrolled U.S. private firms (financial institutions) that can improve stability. The financial market is a risky source of long term capital, but banks can provide similar and less risky services. The European integration with its strict Maastricht criteria and lately, Troika, have created an enormous social cost to the member-nations and mostly to Greece and their benefits are too small to cover it, especially the loss of public policy for Greece, the enormous austerity measures, and the destruction of her sovereignty are irreplaceable. The optimal level of privatization is the one that maximizes the social welfare (at the point, where the marginal benefits of privatization are equal to the marginal cost of socio-economic distress). Of course, we never privatize a public enterprise under pressure from abroad and when the financial market is at its distress level (bear market) because the stocks are undervalued and the revenue for the government becomes negligible. To pursue our domestic policies for the benefits of Greeks, the country has to abandon the Euro-zone.

I. Introduction

Assessment of the comparative performance of the different enterprises owned by private firms (POEs) or by governments (SOEs) is basically impossible, due to the complexity and social effects and due to political pressure and expediency. The Euro-zone had evolved surprisingly quickly (overshooting) into one of the most attractive hotly contested financial markets, through privatization, mostly, in the small and inexperienced Greece; but, what are the social benefits of market users and of the nation? By pure economic measures, we might say that there is some economic welfare, but there is no social one. The savers (investing in the stocks of these privatized SOEs) lost their money in the year 2000 and 2008, and many of them had sold their real assets and used this liquidity to invest in financial assets promising an outrageous return (without mentioning the risk of these investments). Employment has also been negatively

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1 See, Kallianiotis (2012).
affected from all these privatizations. The Euro-zone might have created some opportunities for the financial markets, but their risks have caused the cost to exceed the benefits. Thus, we cannot assert that with privatization, we will benefit from the high liquidity, which is created in the financial markets. The growth and the full employment must be the first priority of Greece, as a nation, which cares for the social welfare of her citizens.

The excessive privatizations in Greece have been motivated by a range of different subjective goals and suspiciously imposed objectives; many have nothing to do with efficiency or social welfare. Some goals are fiscal; raising money from the sale of public enterprises in order to pay back the debt, to reduce deficits, and pay for the current government expenditures, due to its inefficient management and corruption. Also, privatization is reducing the economic and political influence of unions, which occasionally have acted against workers’ interest. These new private firms with their shares might stimulate and develop the domestic capital markets and provide more investment opportunities (share ownership) to wealthy citizens, to pension funds, to institutional investors, and to foreigners. Finally, the economic importance of the government will be reduced and the private firms (multinationals, Arabs, Chinese) will take over (economic imperialism, globalization, etc.) the entire national wealth.

The social welfare system of Greece, today, has failed to sufficiently satisfy even the basic needs of mere life for all citizens. The first problem that arises from privatization is the failure of the system to create a balance between the rich (who are now the foreign owners of the private firms) and the poor (who are now unemployed, due to privatization). The wealthy people rule in our societies, both directly and indirectly; with their money, they erode the government, too. It is impossible for a challenger without a great deal of wealth to win a seat in the government. Most people never rule, and many people remain in office for decades (the Greek dynasties). Another problem is dependency. Lack of labor that satisfies one’s basic needs foster an atrophy of talents and work skills that must be honed in labor. If a family is not self-sufficient, it is unstable and the same is true for the nation. A system, which is unable to create full employment ($u \approx 0$), price stability ($\pi \approx 0$), and balanced its trade ($X = M$) and budget ($T = G$) is unnecessary for our societies.

II. Privatization and Social Welfare

The term “privatization” has been introduced in 1930s and denotes the process of transferring ownership of state-owned enterprises (SOEs) from the public sector (government) to the private sector (business) making those private-owned enterprises (POEs). This can involve the denationalization of this enterprise or industry as well as allowing the private sector to

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2 It is true that unions need some more flexibility and must adopt policies that are based on some incentives for their members. Their communist philosophy cannot apply anywhere (this system is as bad as the one that they are against it, capitalism with its globalization). Lately, during the PASOKean era, many union officials have been found taking advantage of their position by been involved in abuses of their power, exploitations, and corruption. The latest crisis has weakened completely the labor unions.

3 Privatization = ιδιωτικοποίησις and denationalization = ζημιωτικοποίησις, which considered by politicians a more “politically correct” term and a better one to be perceived by the people. Of course, the results are the same, the national wealth becomes private (business) and mostly foreign wealth, determined by the financial markets. “Business is about maximizing profits. Big business has organized. This site is about their organizations: the
provide what had been considered government (public) services. Privatization, then, refers to transfer not only the assets, but also any government function to the private sector including governmental functions like, revenue collection, law enforcement, and others. Also, privatization has been used to describe the buyout of the majority or all shares of a public corporation; privatizing a publicly traded stock. Investors, who will invest in these securities, will have an increase in their utility, but the effect on social welfare is questionable.

Privatization can take place through selling of shares on the stock market, share issue privatization (SIP) or by selling the entire enterprise or part of it to a strategic investor through the auction process, asset sale privatization (ASP) or the shares of ownership are distributed to all citizens (free or at a very low price), voucher privatization (VP). The SIP type is the most common and can broaden and deepen domestic capital markets, increase investment opportunities, and potentially economic growth, but there is risk involved, too. It can be difficult to find enough buyers, so prices can be low (or underpriced, due to the current financial crisis), capital gains and government revenue insignificant, and transaction costs very high. ASP is more common in developing countries and VP has mainly been used in the former socialist economies during their transition (Poland, the Czech Republic, Slovakia, and Russia). Share or asset sale privatizations are more beneficial to the government because bidders compete and offer higher price, which create more revenue for the government, if the financial assets are overvalued. Voucher privatizations create a sense of participation and inclusion of all citizens. There were many privatizations the last years (more than 1,800 transactions from 2000-2008) in EU\(^4\) and these phenomena will continue until they will sell every asset, which belong to the public (citizens). Greece is forced by Troika to generate €50 billion from selling off every public enterprise and public real assets (structures and land, even archaeological monuments). In addition, the investment in projects of four different sectors (Energy, Telecom, Transport, and Water and Sewerage) from 1990 to 2006 reached a total of $206.521 billion. Further, data and their analysis are very important to make some inferences for the effects of privatization. Privatization slowed as the global financial crisis took hold and as political difficulties continued. But, at the same time, some nationalizations were expected in the wake of the crisis. Preliminary results for 2009 show a slight uptick in privatization value, as markets began to stabilize and as growing budget deficits led to new pressures for privatizations.\(^5\)

Undoubtedly, the expected objectives and possible effects or social benefits (SB) of privatization are limited, but there is a tremendous social cost or losses (SC) accompanying all these outcomes. The question is, here, are the social benefits of privatization exceeding its social costs (SB>SC)? The answer is obvious by observing the reaction and opposition of all citizens,

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\(^4\) See, [http://www.skeptically.org/wto/](http://www.skeptically.org/wto/). The Europe & Central Asia (ECA) region raised over $171 billion from privatizations between 2000 and 2008, representing 38% of the total for developing countries. With 856 transactions, the region had the highest number of transactions during this period. In 2008, the region raised US$16.7 billion, down 60% from 2007. Turkey, the Russian Federation, and Serbia together were accounting for nearly 82% of regional value.

except of the international organizations and some liberal bureaucrats, who have some highly paid secured jobs and are ignorant of what is the ultimate social objective of a sovereign nation and its citizens. Public sector employees and private ones differ fundamentally in their acceptance of risk and they are exposure dissimilarly to economic shocks.\textsuperscript{6} Public sector employees enjoyed extended dismissal protection and work in enterprises that very rarely went bankrupt. Thus, these workers faced a reduced risk of losing their jobs, in comparison with employees in the private sector. For this reason, their compensation was lower than those who work in private businesses. Today, Troika has equalized and reduced salaries to all workers in “occupied” Greece.

Of course, the evaluation of privatization must be from the point of view of the society’s well-being and not from the profit maximization one of multinational firms. The total welfare of a country (given the factor endowments and the state of the economy) must be improved continuously.\textsuperscript{7} General concerns about the state of the economy or anxiety about crime rate or high risk or job losses are affecting negatively the social welfare. Also, the measurement of social welfare (SW or W) requires some ethical and country-specific standards, which involve internal and eternal value judgments.\textsuperscript{8} As a welfare criterion can be the growth of the wealth of the society (nation’s GNP), which increases employment \((u \equiv 0)\) and production (keeping prices stable, \(\pi \equiv 0\)). This implies that the income distribution will be ethical and just (not exactly equal).\textsuperscript{9} A high (out of control) growth can lead to reduction in social welfare, due to waste, pollution, huge fluctuations of business cycles, creation of bubbles, irrational euphoria, and negative mental, physical, and spiritual effects on humans. Efficiency (saving of recourses) is very important in social welfare (respect of the creation and individuals). Financial markets stability (normal return) and low risk to attract long-term investments and prevent speculators and opportunists through regulations improves the wealth of the investors and their utility. We cannot accept an action, which increases some individuals’ utilities, but one individual’s utility is decreasing because all individuals are equal (have the same “worthiness”). The criterion must be objectively measured and Pareto-Optimal one.\textsuperscript{10}

The optimal level of privatization of SOEs is where the SW or W is maximized. \([\max SW \equiv W = SB - SC]\).\textsuperscript{11} This point is where the marginal benefits of privatization \((MB_p)\), due to increase in efficiency, productivity, government revenue, increase in capital market liquidity, reduction in national debt, etc. are offsetting by the marginal cost of socio-economic distress \((MC_{SED})\), due to increase in unemployment, reduction in public wealth, increase in dependency, creation of private monopolies, increase in prices, increase in risk, etc. The optimal level of privatization is at the point, where the SW is maximized; the condition is: \(MB_p = MC_{SED}\). The

\textsuperscript{6} Lately, this risk-reward has changed, due to the Euro-zone debt crisis. The IMF has equalized the risk in public sector with the private one. Uncertainty has become the only certain factor of our globalized world.

\textsuperscript{7} See, Kallianiotis (2011a).

\textsuperscript{8} See also, Koutsoyiannis (1981, pp. 524-549) and Layard and Walters (1978, pp. 3-51).

\textsuperscript{9} An equal income distribution may induce some very productive individuals to work less (lack of incentives); thus, leading to a reduction of GNP and social welfare.

\textsuperscript{10} According to Pareto-optimal criterion any change in our socio-economic system that makes at least one individual better-off and no one worse-off is an improvement in the social welfare. This is, also, the Greek Orthodox view, which is, actually, superior of a simple optimal economic criterion.

\textsuperscript{11} Where, SW=social welfare, SB=social benefits, and SC=social cost.
objective of a government must be to privatize a proportion of the SOE as much as it is needed to reach the optimal proportion of privatization ($PP^*$), which is below 50%. After this point, the SW is falling and it is becoming negative closed to 100%, actually, after 75% of privatization of the SOEs.

Thus, the social welfare function of the country must rise and this can happen only with individuals’ happiness (utility). But, after a point, where the SC is increasing drastically, compared to the SB, the SW is falling. Our objective for privatization is to reach a position, where we will make individuals happier, without making anyone less happy. This will be an efficient social state. An appropriate factor ownership is necessary for any sovereign nation by keeping the SC at a minimum. The distribution of factor ownership must be such that each citizen, who is risk-averse, can buy the consumption bundle (and has the satisfaction that his country maximizes national wealth) with the income that his factor ownership generate to him and have some savings (that will be invested) in an environment that social and economic distress are at a very low level, which corresponds to the welfare-maximizing configuration of the national economy.

Undoubtedly, incentives are necessary for the public enterprises; but an uncorrupted, efficient, and acting in favor of the country government is imperative. Rewards to people, who work (have high productivity) and the opposite for the others are important. A wage differential must exist to public firms, too, but not a discrepancy of hundreds of millions of dollars, as it happen to the unfair private firms. This will ensure reasonable utilization of labor and increase in productivity and efficiency. Public employees must be socially responsible and maintain a social discipline with education and continuous attempt for moral and ethical uplift. If state-owned enterprises make people feel happier, with the same consumption bundle and income, it is, other things being equal, preferable and promotes national security, self-sufficiency, independence, sovereignty, and social welfare. People working in the public sector are affected less strongly by general economic shocks than are people working in the private sector and their well-being is less sensitive to fluctuations in unemployment rates. Of course, the public sector attracts more risk-averse individuals than does the private sector. With a relatively large and efficient public sector, the country’s risk is lower and the social welfare is higher.

Economic liberals claim that society is better off when allocation is done by the “dirty” speculators in the unregulated “free-markets”, rather than by the exercise of a mixed power (political, social, economic, ethical, cultural, traditional, and others) to all citizens and markets. The negative results of globalization are already obvious from now to the entire world and especially to Greece. Sovereign nations must undertake actions, which can be justified either on efficiency grounds, on equity grounds, and on cultural peculiarities, if the dark powers allow it

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12 From the continuous demonstrations, we can see that the current privatizations are making many individuals unhappy. Then, our social state is not efficient. The PP (proportion of privatization) ratio exceeds the optimal ratio ($PP^*$). “Indian government workers and bank employees staged a one-day strike to protest rising prices and privatization.” (The Wall Street Journal, August 21, 2008, pp. A1 and A6).
13 See, Kallianiotis (2011c).
14 This changed during the recent debt crisis and the dependence of the nation on loans from the anti-social IMF. Public employees will lose all their privileges that the previous sovereign nation had offered to them. The Greek nation cannot pursue its own policies anymore. This is the social dissolution of the nation. Greece is in trouble!..
15 Greece, for example, with her 7,000 years old Hellenic culture and her 2,000 years old Orthodoxy cannot follow,
to happen. The utilities of the citizens are interdependent and the social welfare function incorporates an ethical valuation of all citizens’ individual utility functions, for this reason homogeneity plays a major role in nations’ continuity. Leaders and scientists are responsible to determine the welfare-maximizing state (the “point of bliss”, a state of perfection) for the entire society. We cannot provoke or scandalize or underrate any person in our society. Political leaders must refurbish their old power. The objective function of a public enterprise is completely different from that of a private firm. Thus, the main effect of privatization is the drastic change of the objective function of the SOE (public firm), when it is privatized. Public enterprises’ objective is social prosperity. On the contrary, private firms (POEs) are concerned mainly about profits.

On the one hand, private businesses are producing where marginal cost equals to marginal revenue \( (MC_t = MR_t) \); actually, the private giant multinational firm is becoming a monopolist, with the lowest output and higher prices compared to the public one. Their first concern is the reduction of the labor cost, the increase in earnings by engaging in risky investment, the determination of CEOs’ pay by themselves, and the maximization of the market price of their stocks. For this reason privatization has a large negative effect on white-collar employment, clerical as well as managerial because they have high wages. Liquidity in financial market will increase together with the inequality in salaries between the executives (counting in hundreds of millions per annum) and the other employees (a few thousands per annum).

On the other hand, public enterprises are more concerned about employment, which increases social welfare of the country. Then, the objective function of a publicly owned enterprise is more complex and broader. We assume that public firms are concerned first, about employment and second, about revenue for the government. The standard explanation for the public sector’s concern for employment can be a “welfarist” one (the public sector seeks to maximize social prosperity and consequently, social welfare). With widespread prevalence of unemployment in EU, after its integration and the uncontrolled inflows of illegal migration, a welfare-maximizing public-sector should push employment beyond the point, where the marginal cost equals marginal revenue. For this reason, output in public firms would also be greater than in private ones and prices lower than in private firms. Further, excessive public sector employment could arise for another reason. The public sector might be used by politicians in order to create jobs in response to political pressure. This phenomenon is well spread in all over Europe, but in Greece surpassed every limit, and is called “clientelism”. Also, public enterprises can be used by politicians to employ their voters and their family members; then, the

what the others are doing. The other sub-cultures have to follow, if they want to benefit, the unique Hellenic-Orthodox civilization and paideia. The world leaders must understand this basic historic and true knowledge. We cannot compromise with any inferior values; either with the current sub-culture of waste (capitalism) or the previous sub-culture of oppression (communism). These are two philosophical systems, which are completely imperfect and have been introduced by the same people (sic).

16 Unfortunately, today, political leaders have zero power. They are completely controlled by many different powers and by businesses, which finance their very expensive political campaigns.
18 Illegal migration is the number one problem in Greece the last twenty years. Those illegal immigrants are driven forward to Greece by Turkish smugglers, which is the objective of a Muslim Turkish policy to dilute the Greek-Orthodox Christian identity. This is, actually, a dirty war and Greek, as well as European politicians are blissfully sleeping.
reason is “canvassing”. Finally, another explanation can be “sociological” and complementary to the clientelist and canvassing explanations, which is also political. This is a motivation of public sector managers in the determination of a pattern of excess employment. These managers create jobs for those to whom they are tied by kinship or social bonds.\textsuperscript{19} Of course, the above practices caused serious inefficiency and budgetary problems to Greece.

The great Greek philosopher Aristotle’s social welfare plan had some secondary goals that served the ultimate goal.\textsuperscript{20} They were the stability of the democratic state (that we try to impose today, through enforcement, police, secret services, spying, and terrorizing the citizens) and the fulfillment of the state’s ends, liberty and equality (which are violated by Troika). Also, Aristotle’s land distribution plan brought about a kind of parity between the rich and the poor. Today, the chasm between these two groups is widening and the middle-class is in extinction (wiping out).\textsuperscript{21} The government should privatize only its most inefficient, heavily subsidized, and those that are not part of the national security of the country firms and also, the least likely to upset political and social interest groups, ones. The nation must have high cohesion, solidarity, and patriotism among all stakeholders and preserve it for the benefits of all citizens and for its national defense, especially today, with all these external pressures. Of course, to maintain SOEs ownership in domestic private hands, it will be preferable for Greeks’ social welfare maximization, except for selling them to foreign bidders (alienation of public wealth).

Further, a sovereign government has to intervene in all sectors and by using effective policies must make the market work more efficiently for the entire country. The social and economic policies must constrain the aggressive and unfair market behavior and produce socially acceptable results for all citizens. Governments must control efficiently all the social interest firms and there are many activities that fall into the government domain (“public goods”). These activities must be: national defense, public safety, public utilities (electricity, gas, water, telephone), public transportation (airlines, railways, etc.), public parks, the survival of endangered species, health care, postal services, agricultural banks, defense-related

\textsuperscript{19} See, Kallianiotis (2009, pp. 75-76).
\textsuperscript{20} See, Drogalis (2008).

\textsuperscript{21} After twenty five centuries from Aristotle’s moral and ethical philosophical teachings and twenty centuries since we have had the revealed truth, today’s “democracies” are acting much worse than Hellas in her Golden Age and Roman Empire around the year 33 A.D. Aristotle (384-322 B.C.) was a great Greek philosopher from North Greece (Macedonia), who was a student of Plato (447-347 B.C.) and the teacher of Alexander the Great (356-323 B.C.). Plato was a student of Socrates (469-399 B.C.), the greatest philosopher of all times. Today, democracies have nothing in common with Aristotle’s value system. In the U.S., the 0.9% of the population are the super rich (multi-millionaires), the 5% are the rich with net worth of $1 million or more, the 46% are the middle class with a family income of about $100,000 per annum, the 36% are the working class with a family income of $60,000 p.a., and the 12% are the poor living below the poverty line. Poverty in the United States is cyclical in nature with roughly 13 to 17% of Americans living below the federal poverty line (The common \textbf{international poverty line} has in the past been roughly $1 a day; in 2008, the World Bank came out with a revised figure of $1.25 at 2005 PPP) at any given point in time, and roughly 40% falling below the poverty line at some point within a 10-year time span. Poverty is defined as the state of one, who lacks a usual or socially acceptable amount of money or material possessions. According to the U.S. Census Bureau, approximately 43.6 million (14.3%) Americans were living in absolute poverty in 2009, up from 39.8 million (13.2%) in 2008. Then, what can we expect from the other less wealthy or poor nations of the world? Troika has made Greece one of the poorest nations in Europe.
manufacturing, and certain strategic industries, economic infrastructure (electric power, water supply systems, sewage systems, telecommunications, rail lines, roads, tunnels, bridges, canals, seaports, airports and air traffic control system), some hospitals and schools, security services, and the criminal justice system.

It is well known, historically, that public goods cannot be provided by the greedy free market. The value of these goods is hard to identify and to allocate among beneficiaries, who will enjoy them and will share their cost (through a fair and efficient tax system). The citizens need education, incentives, national conscience, social cohesion, resource users’ fees, ownership rights, low taxes, no property taxes (on first dwellings), social prosperity, and common paideia, which would make it clear in their own interests to maintain the resources on a sustainable basis and bequeath them, even improved, to their children (the future generations). The market is weak to allocate costs and benefits; but, a fair, just, honest, impartial, lawful, truthful, uncorrupted, and objective government intervention must allocate costs and benefits of shared public goods effectively. As it was mentioned above, in the Politics, Aristotle urged democratic states to pay attention to both the wealthy and the poor. Then, our nations, today, with their anti-social policies, cannot be democracies! Aristotle warned that “poverty is the cause of the defects of democracy” (1320a 36-37). The current signs are proving this warning.

In Greece, a recently voted Law 3986/2011 entitled “Urgent Measures for the Application of the Midterm Framework for the Fiscal and Financial Strategy 2012-2015” (the “Law”) is the latest and most resounding effort of the Greek government to persuade its creditors that it is determined to tackle its public debt crisis. Its most significant innovation is the establishment of a Fund for the selling-off of assets belonging to the Greek state (the “Fund”). In particular, the portfolio of the Greek State comprises four different categories of assets: (a) public enterprises, (b) infrastructures, (c) state monopoly rights, and (d) real property. Such assets are to be “exploited” pursuant to the (so defined in the Law) Operational Strategy for the exploitation of the assets of the Fund, a program to be elaborated in accordance with the provisions of the Midterm Framework (the “MF”) for the Fiscal and Financial Strategy 2012-2015, divided into indicative quarterly goals. The “MF” predicts an aggregate income of €50 billion for Greece within a period of five years (2011-2015) through a series of privatizations. The goal is to sell off these assets openly and transparently, in a fair market price, and the hope, behind this effort, is to decrease public debt by 20% of the GDP. Starting from the second quarter of 2011, the privatizations program includes a vast number of state activities; some of them reserved until now for the Greek State solely: (1) transport and infrastructures, (2) ports, (3) water supply and sewerage services, (4) betting and gaming, (5) the energy sector, (6) telecommunications and postal services, (7) defense industry, (8) banking industry, (9) mining enterprises and mines, and (10) real property. Greece is in serious financial, social, and political distress, with her biggest mistake to join the EMU; then, the enormous debts and deficits, the tax avoidance, the corruption, and the socialists in power since 1980. Now (February 8, 2012), it

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22 Unfortunately, there will be some free riders (underground economy, illegal immigrants, etc.), but we can find solutions there, too.
21 Taxes must be only on income. A home, in which a family lives, does not generate income. It has many expenses, mortgage payments, maintenance cost, insurance cost, etc.
24 Δημοκρατία = πολιτεία λαϊκής κυριαρχίας, ρυθμίζον τήν λειτουργίαν του ἐπί τῇ βάσει τῆς βουλήσεως τῆς πλειοψηφίας τοῦ λαοῦ.
came the agreement of the Greek political leaders (the interim prime minister, Lucas Papademos, imposed by Troika, and the three other leaders, PASOK George Papandreou, N.D. Antonis Samaras, and LA.O.S George Karagaferis) on a new package of austerity measures to receive a “new rescue loan” of €130 billion, which will destroy the socio-economic web of this historic nation. The Parliament voted for this “new occupation” of the country on February 12, 2012 and 199 members voted “Yes”, out of 300 members.  

Thus, privatization of industries with natural monopolies, such as a high-way, water supply, defense industry, etc., could lead to abuse of monopoly power and can act against the security of the nation. Of course, improvement of efficiency is necessary and the government must be responsible to pursue this objective. Today, due to market-based solutions; resource allocation, economic growth, efficiency, increase in government revenue, technological changes, etc., their ownership has shifted towards the private one and unfortunately, at a dramatic speed, without taking into consideration the negative impact on the citizens, due to the high risk of the financial market, where the private sector has to comply to its orders. There are cases that private-sector activities can exist-alongside with the public ones and when there is a need to transfer some to the private sector, the government must continue to hold 51% of the equity and be in a position to control the firm.  

The state ought to control a range of core economic activities that have strong public-good characteristics, which were mentioned above.

### III. Concluding Remarks

In assessing the impacts of privatization (denationalization), there is statistically a problem of selection bias because the choice was not random. The privatization is more likely to occur to badly-performing state-owned enterprises, than to the whole sample of SOEs; except if Troika imposes it. Then, the conclusion that privatization improves corporate performance based on the post-privatization experience of these selected firms, it is true; because they were the worst firms owned by the government. Some people say that phone rates have declined substantially, due to privatization of telephone companies; but this can be, due to deregulation, competition, and drastic technological changes (in switches, optic cables, mobile phone technology, outsourcing, and numerous other innovations), lately. With the higher prices

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25 This was an act of betrayal for Greece. TV News, ERT, ANTENNA, and ALPHA, February 12, 2012.

26 The privatization of high-ways in Greece has increased the payments for tolls enormously and people were demonstrating against these high prices and avoiding paying tolls by saying that roads are “free goods”. (TV News ERT, ALTER, ALPHA, ANTENNA, February 16, 2011 and other different dates).

27 The citizens of the country (as voters) have to control the government. A corrupted and acting against the country’s and citizens’ interest political party must not be elected again. The punishment has to be serious and permanent, which will make wise and prudent the other parties.

28 Between piles of trash and stray dogs near a Mumbai slum is the entrance to MoFirst Solutions Pvt., where two dozen workers sit shoulder-to-shoulder with no air conditioning and write code for iPhone apps on laptops. “The rates Indian developers charge are very low,” said Akash Dongre, chief operating officer at MoFirst Solutions, where clients pay as little as $15 an hour for a programmer. MoFirst is tapping India’s next wave in outsourcing, with thousands of programmers that charge a fraction of Silicon Valley prices to capitalize on demand for programs for Apple Inc. (AAPL)’s iPhone and devices running Google Inc. (GOOG)’s Android software. Developers-for-hire for mobile applications may generate $5.6 billion in revenue by 2015, a 14-fold jump from this year, Forrester Research Inc. (FORR) estimates. (Bloomberg.com, August 23, 2011).
before, the state had high government revenue; now it has to raise taxes from other sources and increase borrowing. Then, lower prices cannot be interpreted as welfare-improving; especially, for the unemployed citizens.

Other people are saying that privatization improves profits and share prices of the new private firms. Evidence has shown that profitability has been improved, but the rise in share prices is due to the politically-motivated under-pricing of the initial share issues. All the benefits are going to the financial markets insiders. This is actually a transfer of wealth from taxpayers (citizens) to share owners (foreigners) and facilitators (investment bankers). Unfortunately, privatization leads to significant labor-shedding and consequently to improvements in labor productivity. Then, the labor-shedding is the dominant source of post-privatization improvement in profitability. But what about the social welfare with so many people unemployed or displaced to low pay (minimum wages and reduction of their salaries) and unsecured or part time jobs?

Furthermore, many economists have proved that privatization has not been an economic miracle, but only a part of the wider liberal (“new age”) restructuring and trend in the global economy after 1980s (globalization), involving imposition of higher taxes, public spending restrictions, destruction of trade unions, increasing “flexibility” (exploitation) of labor, etc.; but, the GDP growth and employment have not increased as a result of privatization. Ownership of a large section of the economy (nations’ endowments) has been transferred (redistribution of wealth) from public hands (citizens) to private ones (foreigners). We have created inefficient and unequal material opportunities republics (but not democracies) by introducing different non-traditional valuation techniques. We, with our approvals, politics, and popular writings, destroyed the nuclear families, the villages, the small towns, family businesses, and the sovereign nations, and call our-selves social scientists and leaders. Politically, because of the trend and pressure, there is a strong, but wrong perception that this has been important and successful for them. The question is here, what the future politicians are going to sell? There will be no national wealth anymore. Then, the current politicians have not only caused serious problems to their citizens and their country, but to their future colleagues, too.

Greeks, as well as all people in the world, need “good life self-sufficiency”, which includes sufficient work, sufficient property ownership, sufficient wealth, sufficient education, sufficient leisure time, and sufficient progress. Citizens need to reach human excellence (perfection) and they need self-sufficiency and certainty for developing virtues. Then, people need private property ownership and nations need public property ownership. State ownership

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29 The Greek government is imposing property taxes that did not exist before. We are moving to a system that will be no ownership. People will maintain a home, which belongs to the government and to the banks. Citizens are losing personal autonomy (independence) and this has made them to act and think unethically. They are against their own nations. The plan of the “dark powers” is working; they succeeded to put citizens against their own nations.

30 Labor productivity (LP) is defined as output (Q) per unit of labor input (L): \( LP = \frac{Q}{L} \). Higher productivity means lower labor input (higher unemployment). Thus, high productivity does not improve social welfare.

31 The unemployment rates in some regions of Greece are 40% and in others 20%, due to privatization, lost of manufacturing, reductions of the agricultural production, the innumerable illegal immigrants, the current debt crisis, the recession, to the competition from the third-world developing countries, and the austerity measures by the suspicious Troika.
makes people to be co-owners and cultivate civil friendships, love, patriotism, and become involved in the life of the state (homeland, nation). The end of an Aristotelian democracy is liberty and equality. Of course, five centuries later, Greece adopted new superior virtues, through revelation. We expect people to reach, through work, a certain level of self-sufficiency, but privatization eliminates their right to work and confines their national wealth. Thus, we have to find the optimal level of privatization that maximizes the social welfare. This is the point where the marginal benefits of privatization (revenue to the government, efficiency of the private sector, reduction of deficits and debt, increase in liquidity of the financial market) is equal to the marginal cost of a socio-economic distress (increase in unemployment, loss of income and public wealth, dependency on foreign capital, private monopolists, higher prices, high risk, bailout cost). A country must be independent to prosper and to become better with the passing of time.

Finally, reliable evidence of any positive impact of privatization on broader growth, efficiency, and welfare is sparse or inexistent. In a democratic society, the perception of “consumers” (citizens and voters) matter more than the politicians’ one. Politicians’ views and prospects, today, are far away from the citizens’ ones; and this is the reason that they try to avoid any referendum. Democracies and democratic values are disappearing from our societies and the irony is that Greece, which introduced democracy 2,500 years ago, has abandoned it the last 38 years. The future of the citizens and of the new generations will be very difficult. Traditional state ownership, now, plays no economic role in Europe and in Greece and the list of candidates for continuing privatization is very short. Of course, the pressure from EU, IMF, World Bank, and other international institutions (which are against the indigenous culture, heritage, and freedom of humans) will continue in all countries to sell every asset to the private firms and now, it is the best time, you can buy public enterprises at a very low market price. Why are these agencies against society? What is their objective? For whom are they working? Our political leaders must learn the word “NO” (OXI). It seems that this is the only choice if they want to become useful for the citizens’ social welfare and for the nation’s survival. Greece has to stop payments, to exit the Euro-zone, to go back to drachma and to her public policies, and with her resources to become self-sufficient. How all these can apply to the country? Only, with a “benevolent dictator”. These 199 members of the Greek Parliament, who voted “Yes” for the new Memorandum and the austerity measures from Troika to receive €130 billion will be proved that they made a big mistake and are responsible for Greece’s recession (actually, depression), for the loss of her sovereignty, for her dependence to Germans, and for the confiscation of the country’s public wealth.

Reference


33 This vote took place early in the morning of February 13, 2012, after an enormous pressure, terrorism, and deletion of parliamentarians by their parties (PASOK and N.D.). TV News ERT, February 13, 2012.


