

**Privatization in Greece and Its Negative Effects
on the Nation's Social Welfare
(Expropriation of the National Wealth)**

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Abstract

The objective of this paper is to present and discuss the pros and cons of an imposed privatization (transferring the ownership and management of state-owned enterprises to private firms) in Greece and its effect on the economy, financial markets, employment, national wealth, and social welfare. Moderate privatization, under normal conditions, might increase efficiency, productivity, and liquidity in the financial markets, if the country is not in financial distress and depression; at the same time, however, it causes enormous unemployment, dependency on foreign capital and multinational firms, and, worst of all, the loss of its national wealth and the decline of social welfare. Governments have to increase productivity and efficiency of the public sector and 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, created by the uncontrolled private firms (financial institutions), that it can improve stability and preserve jobs. The European integration with its strange Maastricht criteria, the common overvalued euro for 10 years, the recent debt crises, and the austerity measures by Troika have created an enormous social cost to the member-nations (mainly in Greece), and the benefits from this union are too small to cover its cost; especially irreplaceable are, the loss of public policy for the members and the destruction of the sovereign nations. 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) and does not eliminate the wealth of the nation.

Keywords: Economic Welfare, Economic Integration, International Financial Markets, Governmental Property, Unemployment, Public Enterprises

JEL Codes: D6, F15, G15, H82, J64, L32

History of Privatization in Greece

The history of privatization dates from Ancient Greece, when governments contracted out many public services to the private sector (wealthy citizens). In the Roman Empire private individuals and companies performed the majority of services including tax collection (tax farming),¹ army supplies (military contractors),² religious sacrifices, and construction. The same proceedings continued in the Byzantine (Hellenic Medieval) Empire. However, the Roman Empire had also created state-owned enterprises (SOEs); for example, much of the grain was eventually produced on estates owned by the Emperor. Some scholars suggested that the cost of bureaucracy was one of the reasons for the fall of the Roman Empire. In Britain, the privatization of common lands was referred to as enclosure (in Scotland as the Lowland Clearances and the Highland Clearances; in Greek: *perifraxis*). Significant privatizations of this nature occurred from 1760 to 1820, coincidental with the industrial revolution in that country.

Unfortunately, during the last 30 years, privatization has become the only trend, even though that has been economically and politically disruptive. “More than 80 countries have launched ambitious efforts to privatize their state-owned enterprises. Since 1980, more than 2,000 state-owned enterprises (SOEs) have been privatized in developing countries, 6,800 worldwide.”³ The total value of world-wide privatizations exceeded \$185 billion by 1990 and the privatizations only in Europe and Central Asia between 1990 and 2006 exceeded \$207 billion.⁴ Governments, especially those in Euro-zone that are in debt crises, want revenue, and they are forced to sell any assets that the country had accumulated. However, there is another reason, in some cases, public workers acting unethically have reduced their productivity close to zero. This sale-off tension is a short-term objective of most privatization programs to generate some revenue collection for the current government because private businesses do not pay taxes⁵ and the pressure from the EMU and IMF (Troika) to reduce budget deficits and subsidies is unbearable. Also, the liberalization policies, the deregulation, and the globalization of the financial system, lately, try to increase supply and demand of securities in the domestic capital markets and integrate them with the EU and the international one. Therefore, privatization is the main contributor of financial assets. The Nordic countries and Greece lagged a little behind much of the rest of Europe, but the last 30 years the socialists (PASOK) and the “centrists” (N.D.) in Greece are selling almost everything.⁶ In terms of industries, the most intense activity was in the telecommunications, financial services, transport, and public utilities sectors. The Maastricht treaty provides (imposes) a unique “motivation” for privatization in the entire EU.⁷

The purpose, here, is to examine this vague “intellectual” debate, which is very common in EU and especially in Greece, about her privatizations and their effects on financial markets and about the kinds of activities that belong in the public sector and the private one. Even, Czech President Klaus assailed the EU as undemocratic and said it should halt further centralization of powers.⁸ Troika is forcing Greece to sell public enterprises and derive €50 billion from these sales; otherwise, there would have been restrictions on the future installments of the €110 billion loan that had been approved in 2010⁹ and a new one of €173 billion in March 2012. Currently, with the pressure from Troika, Greece has to privatize SOEs to collect these €50 billion, but the market is in financial distress (undervalued). Thus, the Greek SOEs will be sold at a very low price (fire sales), which means negligible revenue for the government. This is a true expropriation of the national wealth.¹⁰

Between 1991 and 2006, Greece had implemented 61 transactions worth over \$20 billion of privatization revenues. Privatization in Greece began in the early 1990s after the first election of the New Democracy Party. The government considered privatization as the main policy objective, and issued a list of firms to be privatized. The initial stage of the Greek privatization program mainly involved the enterprises belonging to the Industrial Reconstruction Organization (IRO). The first transactions date back to 1991 and 1992 with the full sales of the Olympic Marine shipping company, the Bank of Chios, and of Elvim (Heracles Gen Cement). However, the implementation of this first wave of privatizations was blocked by strong political and labor union opposition. The context changed after 1995, when Greece was admitted to candidacy in the European Economic and Monetary Union (EMU). This exerted pressure on the governments to implement structural reforms in order to foster policy credibility. Indeed, after a break lasting three years, the divestment process resumed in 1996 and gathered momentum through the second half of the 1990s onwards. During this second stage, which continues to the present, privatizations mainly involved the public utilities, services, and telecommunications.

In March 1996, privatization of telecommunications began with the initial public offer of Hellenic Telecommunications Organization (OTE), with an offer of 7.6% of its shares. Subsequent sales of the telecommunication group occurred in 1997 (12.4% of capital sold); in 1998 through 2005, two tranches of 3.5% and 15% of capital, respectively, were sold. To date, 70.6% of its capital has been sold, raising over \$5.6 billion. Other transactions included the sale of 16% of the National Bank of Greece, which happened between 1998 and 1999. Then the three subsequent issues of the state power producer Public Power Corporation (PPC, ΔΕΗ), took place, respectively, in 2001, 2003, and 2005, which was worth overall about \$1.4 billion. In addition, the four tranches of the Greek Organization of Football Prognostics (OPAP) in 2001, 2002, 2003 and 2005, was worth in total, \$2.75 billion. The most proceeds were raised from the privatization of telecommunications (41% of total revenues) and of public utilities (21% of total revenues), such as water supply (i.e., the privatization of the Water Supply & Sewerage System in 1999), electric, gas, and water distribution (i.e., the sale of the Gas supply company of Thessaloniki EPA in 2000), and the already mentioned electricity sector (i.e., Public Power Corporation, PPC [ΔΕΗ]).

In addition, the financial sector has raised 16% of total revenues. Among the commercial banks, investment banks, and holding companies privatized are: the Bank of Chios in 1991; the Bank of Athens in 1993; the Athens Bourse in 1997; the General Hellenic Bank in 1998 and 2004; the National Bank of Greece in 1998, 1999, 2003 and 2004; the Hellenic Industrial Development Bank in 1999; the Greek Stock Exchange Holdings in 2000; and lastly, the Agricultural Bank of Greece in 2000. In addition, privatization of the state-owned enterprises (SOEs) was one of the goals of the Kostas Karamanlis' Government. In his Platform Speech (March 2004), he said that "Government will reduce its business activities, give up its role as a contractor and enhance its regulatory powers. At all events, it will maintain control on the natural monopolies of transport networks". (TV News *ERT*, March 27, 2004). The first move was the sell-off in 2004 of an 8.2% stake in Hellenic Petroleum for around \$240 million. Then, DEKA, the Greek state portfolio management agency, sold its stake to a unit of the Latsis Group. In November 2004, a 7.46% stake in National Bank of Greece was placed with foreign and Greek institutional investors via an accelerated book-building process. Revenues were worth the insignificant amount around \$725 million. All these SOEs had enormous assets, but the buyers were paying only a very low price, due to the SOEs' depressed market value per share. Those irresponsible politicians have to give an account to the Greek citizens for their endless mistakes.

Furthermore, the goal of reducing budget deficit led the Government to plan an ambitious privatization program for 2005; it aimed to raise more than \$2 billion in the year. In this context, in July 2005, a 16.4% of the gambling company OPAP was sold via a retail and institutional public offering, raising more than \$1.5 billion. In September 2005, a 10% stake of the telecommunications company OTE was sold, via a public offering, generating revenues worth over \$1 billion. The privatization process continued in 2006 with the IPO of Postal Savings Bank, whose 35% was sold on the Athens Stock Exchange for barely \$800 million. The largest privatization, ever to have occurred in Greece took place in the second half of 2006, with the complete sale off of Emporiki Bank. The government sold to Crédit Agricole its 35.56% stake, raising around \$2.2 billion. Another "important" operation was the public offering of Hellenic Telecommunication Organization (OTE). In June 2007, the government, finally, sold a 10.07% stake for almost \$1.5 billion, as part of its ambitious privatization programme for the year, aimed at repaying the country's public debt. After a few days, in July 2007, the Greek government had completed another long-awaited operation: the sale of a 20% stake in Greek Postal Savings Bank

for more than €500 million. With this operation, the Greek government once again, after the gratifying result of 2006, had reached its privatization revenues target, €1.7 billion, well in advance of year's end.¹¹

After these excessive privatizations, Deutsche Telekom AG gained control of Greece's phone company (Hellenic Telecommunications Organization, OTE), which created a goliath in the Balkans.¹² The German telecommunications company paid about €2.9 billion (\$4.6 billion) for 25% of the shares of OTE, and in 2011 it took the majority control of the company.¹³ At the same time, OTE and Cosmote brought Deutsche Telekom access to Greece, Albania, Skopje, Serbia, Romania, and Bulgaria. In 2000, Deutsche Telekom acquired a majority stake in Hungary's Magyar Telekom Telecommunications that gave it indirect control of telecom companies in Skopje and Montenegro. In 2001, Deutsche Telekom acquired a direct majority stake in Croatia's Hrvatski Telekom. They have created a private monopolist in the Balkans, and the workers and customers in these countries will be negatively affected. This is also a very serious problem for the security of Greece, which is surrounded by so many enemies.¹⁴ These are some of the negative effects of any irrationally enforced privatization.

In March 2009, the Greek government "succeeded" in privatizing the Greek airline carrier Olympic Airways¹⁵ by selling it to Marfin Egnatia (MIG)¹⁶ for €177.2 million. Within a few days, European Commission (EU) gave the approval of this privatization, and the ratification took place from the Privatization Committee of the Greek government. The new owner, Andreas Vgenopoulos, said that he would spend €100 million to buy new airplanes and he was thinking of collaborating with Iberia; he kept the existing personnel of the carrier, and he started accepting applications for new hiring of employees,¹⁷ but then came the catastrophic debt crisis, the recession, and the imposed austerities from Troika, and all plans were changed.

This pressure from Troika (whose intensions are suspicious) forces the current Greek coalition government to sell every public asset (from seaports to airports to roads to islands and to all the national wealth) and to make up, requested by the Troika, the amount of €50 billion. The Fund of Utilization of the Private Property of the Public Sector (ΤΑΙΠΕΔ) has focused on forty (40) uninhabited islands and plans to lease them, mostly, to foreign investors, for 50 years so that they can exploit them by creating tourist facilities. This office (ΤΑΙΠΕΔ) is examining 562 from the 6,000 islands that are under Greek possession in order to exploit them.¹⁸

Other reprehensible sales include the following: (a) The Turkish businessman Mehmet Karadinch opened a Turkish bath on the island of Kos (Dodecanese) and young Greek workers found employment, there; (b) Other Turkish businessmen are planning to build a casino on the island of Chios. This will be the second destruction of the island by the same people;¹⁹ (c) Another incredible sale was that of a Greek island to Israel for it to use for exercises and training of its military navy. This is occupation of the country, and the ignorant Greek officials, who make these decisions, are very dangerous for the security of the country and must be expelled not only from their posts, but from the country, too. In the end, the Ministry of Defense of Israel rejected this idea as economically unfavorable.²⁰ A new austerity bill ("multi-law"), which included the latest cuts on wages, salaries, and pensions, received 153 votes from the Greek Parliament at the early morning on November 8, 2012.²¹

Pros and Cons on Greece's Imposed Privatization

In Greece, the recently voted Law 3986/2011, entitled "Urgent measures for the application of the midterm framework for the fiscal and financial Strategy 2012-2015", is the

latest and most resounding effort of the Greek government to persuade its creditors (Troika) 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 nation (public wealth). 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 programme to be elaborated in accordance with the provisions of the Midterm Framework for the fiscal and financial Strategy 2012-2015, divided into indicative quarterly goals. This Midterm framework predicted 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, at 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 programme included a vast number of state activities, some of them reserved until now for the Greek nation solely: (a) transport and infrastructures, (b) ports, (c) water supply and sewerage services, (d) betting and gaming, (e) the energy sector, (f) telecommunications and postal services, (g) defense industry, (h) banking industry, (i) mining enterprises and mines, and (j) real property. Greece is in serious financial, social, and political distress, with her mistakes to join EMU, the enormous debts and deficits, the tax avoidance, the corruption, the socialists in power since 1980, and now, the two memoranda that have increased the pressure from Troika to sell off its public wealth, which will affect negatively the social welfare of the nation.

Indisputably, certain public goods and services should remain primarily in the hands of government in order to ensure that everyone in the society has access to them (such as law enforcement, the security of the nation, basic health care, investment in human capital, basic education, and many others). Likewise, private goods and services should remain in the hands of the private sector, controlled by the government through regulations. There is a positive externality, when the government provides public goods and services to society at large, such as defense and disease control. The government has to run these SOEs as efficiently as the private sector. As for natural monopolies, many claim that they are subject to unfair competition, and they can be better administrated by the state. Citizens are responsible to elect an effective and uncorrupt government.

Many people (economists from all over the world and Greek citizens) also warn against the privatization practices, due to the inherent tendency toward corruption, especially after 1974. Many areas to which the government could provide services are essentially profitless; the only way private companies could, to any degree, operate them would be through contracts or block payments. In these cases, the private firm’s performance in a particular project would be removed from their performance, and embezzlement and dangerous cost-cutting measures might be taken to maximize profits. The corruption in Greece became “scientific” after the takeover of the country by the PASOK party (not even a party, but a “movement”, as they call themselves) in 1980. Kostas Mitsotakis, in a speech in the Greek parliament in 1994, had predicted the forthcoming crisis that the PASOK party was bringing to the country.²²

In addition, as Stiglitz (2002, pp. 54-58) has stressed from his work experience in government and international organizations, the IMF and the World Bank (even the EU) have approached the privatization issue from a narrow ideological perspective (privatization was to be pursued rapidly). Also, scorecards were kept for the countries making the transition from public to private ownership (from communism to the market economy, actually, to the repulsive globalization).²³ Those who privatized faster were given the high marks. Through these

pressures, privatization often did not bring the benefits that were promised. “The problems that arose from these failures have created antipathy to the very idea of privatization.”²⁴ The IMF, EU, and other international institutions assume that markets arise quickly to meet every need, but in fact, only government activities arise; free markets have failed to provide essential services because they act pro-cyclically.²⁵ This is obvious everywhere outside the United States. Economists and political advisors, who have studied in U.S. universities, try to impose the same theories on their countries,²⁶ but these do not work because the structure of the economies, the culture, and the needs of the citizens are different there. The private financial markets are also very risky, and they negatively affect individuals’ lives; for this reason a healthy public system must exist (like Social Security, IKA, Unemployment Insurance, Public Education, and Public Health Care). Eliminating the government enterprises may cause security problems (e.g., utilities, telephone, education, etc.), unemployment, and other types of suffering to the citizens, especially with the creation of private monopolies. Drogalis (2008) criticized the American social welfare system, comparing it with Aristotle’s social welfare. The same can be said for the European Union and Greece, which follow the U.S.A. (a general servile imperialism). Aristotle recommended that the state must gather together all “excess revenue” into a fund and distribute this wealth through block grants “sufficient for the purchase of a plot of land” or “enough to start men in commerce or agriculture” (1320a/1998, pp. 39-46). Today, the Greek government acts against its own ancestors and its civilization by taking away (expropriating) all the wealth from the state (from the tax payers-citizens) with privatizations. Thus, the current government will destroy (sell off to foreigners) the public wealth of the future generations, which is completely unethical.

Unfortunately, the Greek authorities believe (have been persuaded by some special-interest groups or forced by the EU and the IMF) that it is important to privatize quickly and deal with the issues of competition, regulation, loss of national wealth, growth of the economy, and unemployment, sometime later. The question is when? This “later” will be too late. But, the IMF and EU focus only on macroeconomic issues, such as the size of the national debt and government’s deficit (60% and 3% of the GDP), according to Maastricht criteria, even in the middle of a deep recession, than on structural issues, such as efficiency and competitiveness of the industry, selling the public enterprises at an acceptable market price,²⁷ morality and work ethics, incentives, employment, and indigenous value system. These new private monopolies will be more efficient in production than the government, but they will be “more efficient” in exploiting their monopoly power, too; employees and consumers will suffer. Privatization has a drastic impact on employment and on national wealth, and these are the major arguments against privatization and its social cost.

Of course, there is some truth to this issue and from the other side: the low productivity of the public sector (which is very unethical from the side of employees). These unproductive employees cannot be promoted, their salaries should be low, and they might lose their jobs, too. Actually, the profit of this new private firm is going to come from trimming the payroll and eliminating the permanent jobs for its workers. Economists, such as social scientists, have to focus on overall efficiency (for the entire society) and not on a specific private firm’s objective. There are enormous social costs associated with unemployment²⁸ and security costs associated with the foreign ownership of these new private firms, for which these foreigners do not care because their objective is different than the government’s one. “Privatization often destroys jobs rather than creating new ones.”²⁹ Privatization, outsourcing, the moving of firms to countries with lower cost of production, the common currency, the illegal migration, and the austerities

from the Troika are some causes of the debt crisis, today's high unemployment, and the loss of the national wealth and sovereignty of Greece.

Furthermore, with this excessive privatization, there can be a large social cost of unemployment (especially with the socialist and communist parties that exist in Greece),³⁰ manifested by urban violence, increased crime, social and political unrest,³¹ reduction in wages, and employment of illegal immigrants because they are the only ones who can accept a low pay job (reverse discrimination). Also, widespread anxiety exists even among workers who have managed under pressure to keep their jobs, and a broader sense of alienation floats in the air; additional financial burdens on family members, who manage to remain employed or are receiving a low pension are occurring; the withdrawal of children from private schools because the parents cannot afford the high tuition has begun; and the tremendous financial distress and high probability of bankruptcy among households are now a fact. The cost of unemployment is huge for the unemployed person, his family, the market, and the entire society. It definitely cannot be covered with some insignificant unemployment insurance. Their children, without the appropriate education, would be future unemployed citizens, too. Many young people are immigrating to EU countries and to Australia, to find employment. The social cost will be even higher when public enterprises will be sold to foreigners. Foreign owners feel only one obligation towards their shareholders (this is the only pressure from the market to maximize their market value by reducing costs) and less of an obligation towards the social policy of the host country (its social welfare). Their decisions are not based on patriotism or on any other social values; their "values" are greed, fear, corruption, exploitation, and other similar "great" values.

Every citizen in a country (not only in Greece) must be concerned about high rates of unemployment, even when he himself is not unemployed at the moment. High general unemployment (the worst deficiency of the free market system) reduces an individual's well-being (utility) by increasing social cost on the rest of the population and decreasing the nation's welfare. A high rate of general unemployment has negative effects on the population as a whole because of social effects, like higher crime rates, and the imposition of higher taxes on the remaining employed people to finance increased welfare spending. Also, it increases the income inequality within the society, it affects people's well-being by reducing their sense of personal economic security, it depresses wages, it increases their actual or perceived risk of job loss and anticipated unemployment. In addition, unemployment creates general negative externalities and externalities arising from changes in individuals' perceived economic risks. All these have a negative effect on the social welfare. The number one objective of public policy must be full employment ($u \cong 0$) and not a balanced budget in the middle of a deep recession.

Undoubtedly, it is important for Greece to increase productivity, efficiency, growth, and welfare, but if this can be done with restructuring of state enterprises, there is no need for privatization. Public sector employment, especially of white-collar workers, was excessive in Greece during the last 30 years. However, moving people from low-productivity jobs in state enterprises to unemployment does not increase a country's income, growth, and it certainly does not increase the welfare of its citizens. The moral is simple in economics and in our lives: "Moderation is the best solution";³² and human beings are very complex entities (persons) and not only a primitive economic being. Thus, privatization needs to be part of a more comprehensive program and not because the suspicious IMF and the distrustful EU say so, which entails creating jobs in tandem with the inevitable job destruction that privatization often entails. If there are national security issues and low market prices of the public assets, due to the financial crisis, privatization must be avoided, independently what the "experts" or the

“globalists” are saying and the ignorant politicians are carrying out. As many believe lately, globalization and technology have increased income inequality around the world.³³ It is apparent to everyone that the performance of public enterprises had been far from satisfactory, and they suffered sustained losses and were a major burden on the government budget, which is a serious ethical issue of our self-interest societies today. Nevertheless, the responsibility falls on the political parties, not on the Greek citizens.

Privatization has been imposed by some (neo-liberal entities, like Troika), who believe that it might increase efficiency of the public sector, but it has contributed further to the weakening of the public sector, since public assets have been sold at very low prices that did not even compensate for the loss of future revenue from these companies. Actually, these forced privatizations are expropriations of the national wealth. Alexiou (2003, p. 26) said, “The contractionary nature of the policies imposed upon the EU member states, to arguably facilitate their transition into the monetary union appear to, at least in the short run, have created an economic environment that is far from conducive to employment creation. Lack of strategies that target real, rather than nominal variables, permeates current economic policy as this is run by the think-tanks of an independent European Central Bank and its affiliated institutions.” Studies by Kay and Thompson (1986) and Wortzel and Wortzel (1989) suggested that privatizations did not promote economic efficiency, only governments have raised significant revenues through the sale of SOEs. Sappington and Stiglitz (1987) addressed issues related to state versus private ownership, and they favored state ownership, together with many other studies. Bhaskar and Khan (1995), in a study of the Jute industry in Bangladesh, found that privatization had a large and significant negative effect on the employment of white-collar workers, while the reduction in output is not statistically significant. Parker (1999) reviewed privatization in each of the member states of the EU, identified the differences in the levels of privatization activity, and explained that privatization may not lead to efficiency, but to redistribution of income and economic power. Morgen (2001) said that devolution and privatization have marked the neoliberal agenda of downsizing the state and minimizing its role in regulating and ameliorating the operation of the market.³⁴ Becker (2007) dealt with privatization of water and waste public firms in EU and did not expect full privatization of these monopolistic companies. Luechinger, Meier, and Stutzer (2008) said that high general unemployment reduces individual welfare, even for people who are still employed, and the public sector attracts more risk-averse individuals than does the private sector. Kallianiotis (2009) warned that vast privatizations have caused huge social welfare losses. Kallianiotis and Dragone (2009) said that privatization in EU has become the only trend in recent years, even though that has been economically and political disruptive. Kallianiotis (2011c) showed that privatization beyond an optimal level makes social welfare negative. Kallianiotis (2012) dealt with the latest imposed privatizations on the high debt nations, like Greece, where excess privatization causes serious social welfare problems to our societies.

Privatization or Denationalization: A Theory of Individuals' Utility and Country's Social Welfare

The term “privatization” was introduced in the 1930s and denotes the process of transferring ownership of state-owned enterprises (SOEs) from the public sector (government) to the private sector (business). This can involve the denationalization³⁵ of this enterprise or industry as well as allowing the private sector to provide what had been considered government (public) services. Privatization, then, refers to transfer not only of 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, and privatizing a publicly traded stock. Those who invest in these securities will have an increase in their utility, but the effect on social welfare is questionable.

The expected objectives, the possible effects, and the social benefits (SB) of privatization are the ones depicted in Kallianiotis (2011c, Graph 1), but there is a tremendous social cost or loss (SC) accompanying all these outcomes. The question is: 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, except of the international organizations and a few liberal bureaucrats, who have some highly paid, secure (at the moment) jobs, and are ignorant of the ultimate social objective of a sovereign nation and its citizens. Public sector and private employees differed fundamentally in their acceptance of risk, and they were exposed dissimilarly to economic shocks. Public sector employees enjoyed extended dismissal -protection and worked in enterprises that very rarely went bankrupt before the take-over of countries by Troika or other globalist agents. Thus, these workers faced a reduced risk of losing their jobs, in comparison to employees in the private sector. For this reason, their compensation was lower than those who work in private businesses. Now, however, public and private sector employees in Greece are all in big trouble because the nation has lost its sovereignty and is controlled by the anti-labor rights Troika.

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. 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 external value judgments. A welfare criterion can be the growth of the wealth of the society (nation's GNP), which increases employment ($u \cong 0$) and production (keeping prices stable, $\pi \cong 0$). This implies that the income distribution will be ethical and just (not exactly equal).³⁶ 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, high debts, and negative mental, physical, and spiritual effects on humans. Efficiency (saving of resources) 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 while 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.³⁷

The optimal level of privatization of SOEs is where the SW or W is maximized. [$SW \equiv W = SB - SC$]. 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, and so forth, are offset 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, negative effect on the security of the country, and so forth. Figure 1 shows that at zero (0) [%PO(PP)] ratio, the country has only SOEs, which provide high SB, but they also have a relatively high SC. At 100%

[%PO(PP)] ratio, the SOEs are zero (0), we have only POEs, where the SC is huge and exceeds the SB (SC>SB). The optimal level of privatization is at point B (point of bliss), where the SW is maximized; the condition is: $MB_P = MC_{SED}$ (the marginal benefits of privatization are equal to the marginal cost of socio-economic distress). The objective of a government must be to privatize as many SOEs as needed to reach the optimal ratio (PP^*), which is below 50%. After this point, the SW is falling and becoming negative closed to 100% [%PO(PP)].

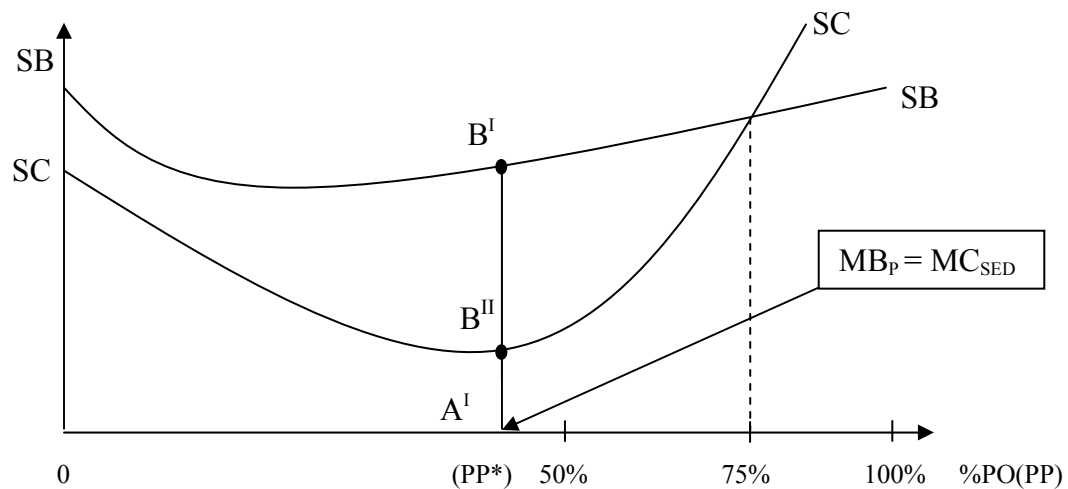
The social welfare function can be written as follows:

$$(1) \text{ Optimize } \begin{aligned} SW \equiv W &= SB - SC = f(u^A, u^B, u^C, \dots, u^N) \\ f_{u^A} &> 0, \dots, f_{u^N} > 0 \end{aligned}$$

Subject to: tastes, employment, socio-economic benefits, investments in Treasuries, unemployment, disinvestments, investments in private securities,³⁸ endowments, technology, and revenue.³⁹

The social benefits can be presented as follows,

$$(2) \quad \begin{aligned} SB_t &= f(E_t, JS_t, \bar{P}_t, NW_t, IG_t, Y_t, \bar{\sigma}_t, S_t \text{ \& } S_t, \phi_t) \\ f_E &> 0, f_{JS} > 0, f_P < 0, f_{NW} > 0, f_{IG} > 0, f_Y > 0, f_{\sigma} < 0, f_{S\&S} > 0, f_{\phi} > 0 \end{aligned}$$



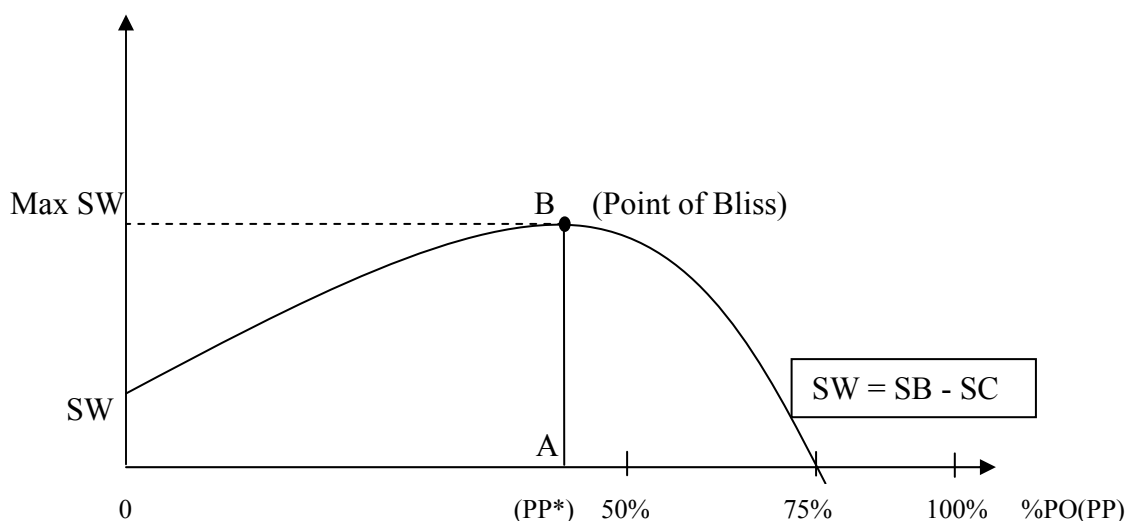


Figure 1. *Effects of Privatization on the Social Welfare*

Note. SW = social welfare, SB = social benefits, SC = social cost, and $(SW = SB - SC)$, $\%PO$ or PP = percentage of private ownership or proportion of privatization, (PP^*) is the optimal level of privatization in the country, where the SW is maximized. The condition of optimization is: $MB_P = MC_{SED}$. To the left of this point the SB s are high because of high employment, job security, low prices, big national (public) wealth, independence of government, high income, low risk, security and safety, and stability. Also, the SC is high because of inefficiency, low productivity, low production, subsidies, budget deficits, strong unions, and large governments. To the right of this optimal ratio (PP^*) , the SB s are high, due to efficiency of the private firms, higher productivity, more output, high profitability, higher revenue for the governments (T), lower deficits, increase in government spending, liquidity in capital markets, and innovations. But, the SC is high, too, because unemployment is high, reduction in public wealth, dependency on foreign capital and markets, private monopolists, higher prices, high risk, high bail out cost, social inequality, redistribution of income (from domestic earners to foreigners), reduction of country's security, and loss of sovereignty.

and the social cost function can be as,

$$(3) \quad \begin{aligned} SC_t &= f(I_t, LP_t, Q_t, S_t, BD_t, SU_t, LG_t) \\ f_I &> 0, f_{LP} < 0, f_Q < 0, f_S > 0, f_{BD} > 0, f_{SU} < 0, f_{LG} > 0 \end{aligned}$$

where, SW or W = social welfare, $u^A, u^B, u^C, \dots, u^N$ = utility (happiness, prosperity, blissfulness, perfection) of individuals A, B, C, ..., and N in the nation, SB = social benefits, SC = social cost, SOE = state-owned enterprises, POE = private-owned enterprises, E = high employment, JS = job security, \bar{P} = low prices, NW = big national (public) wealth, IG = independence of government, Y = high income, $\bar{\sigma}$ = low risk, $S\&S$ = security and safety, ϕ = stability, I = inefficiency, LP = low productivity, Q = low production (output), S = government subsidies, BD = budget deficits, SU = strong unions, LG = large governments, $E(R_p^G)$ = expected return of a portfolio in government securities, $\sigma_{R_p^G}$ = risk of a portfolio in government securities (interest rate risk or maturity risk), $^{40} E(R_p^{PF})$ = expected return of a portfolio in private securities, $\sigma_{R_p^{PF}}$ = risk of a portfolio in private securities, K = capital, $^{41} L$ = labor, $^{42} i_{t+1}$ = interest rate next period, w_{t+1} = wages next period, R = revenue, G = government, PF = private firm, BP = before privatization, and AP = after privatization.

The optimal conditions for the maximization of social welfare are (a) Efficient consumption, (b) Efficient production, (c) Efficient product-mix, (d) Optimal investment, (e) Social justice, (f) Social (national) wealth,⁴³ (g) Self-sufficiency, and (h) Sovereignty. The above social welfare function [eq. (1)] 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 this privatization is to reach a position, where we will make all individuals in the country happier, without making anyone less happy. This only will be an efficient social state.⁴⁴ 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 where social and economic distress are at a very low level, which corresponds to the welfare-maximizing configuration of the national economy. Of course, low taxes, due to government efficiency and fair distribution of tax obligation to every physical and legal person (businesses), and zero property taxes on the first home (only income taxes) are necessary, but not sufficient conditions for social welfare maximization.

Undoubtedly, incentives are necessary for the public enterprises; but an uncorrupted, efficient government, acting in favor of the country, is imperative.⁴⁵ Rewards to people, who work (have high productivity) and the opposite for the others are important. A wage differential must exist in public firms, too, but not a discrepancy of hundreds of millions of dollars, as has happened to the unfair private firms.⁴⁶ 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 uplifting moral and ethical practices. 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 were affected less strongly by general economic shocks than were people working in the private sector and their well-being was less sensitive to fluctuations in unemployment rates.⁴⁷ 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 was lower and the social welfare was higher. With respect to productivity, responsibility lay with the government officials, who supervised the public sector.

Unfortunately, economic liberals (pseudo-conservatives) 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 to the entire world. Sovereign nations must undertake actions, which can be justified either on efficiency grounds, on equity grounds, or on cultural peculiarities,⁴⁸ if the "dark powers" allow it to happen. The personal 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 (the illegal immigration in Greece has changed her identity). Leaders and scientists are responsible to determine the welfare-maximizing state (the "point of bliss", the 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.⁴⁹

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 and causes serious social disturbances. Public enterprises' objective is social prosperity:

$$(4) \quad \begin{aligned} \max \quad & SP_t = f(E_t, PE_t, LS_t, Q_t, S_t, \bar{P}_t, \bar{R}_t, \iota_t, \phi_t) \\ & f_E > 0, f_{PE} > 0, f_{LS} > 0, f_Q > 0, f_S > 0, f_P < 0, f_R > 0, f_\iota > 0, f_\phi > 0 \end{aligned}$$

where, SP_t = social prosperity, E_t = employment, PE_t = permanency of employment, LS_t = lump sum payment (*efapax*), Q_t = output, S_t = subsidies, \bar{P}_t = low prices, \bar{R}_t = decent revenue for the government, ι_t = equality among citizens, and ϕ_t = a stability of the democratic nation factor.

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 [eq. (4)]. We assume that public firms are concerned, first, about employment and the social prosperity of all citizens, and second, about revenue for the government. The standard explanation for the public sector's concern for employment can be a "welfarist"⁵⁰ one (the public sector seeks to maximize social prosperity and social benefits, and consequently, social welfare). With widespread prevalence of unemployment in EU, after its integration and the uncontrolled inflows of illegal migration,⁵¹ 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 ($Q_t^G > Q_t^{PF}$) and prices lower than in private firms ($P_t^G < P_t^{PF}$). 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, call "clientelism", is well spread in Greece and all over Europe. Also, public enterprises in Greece were used by politicians (PASOK party) to employ their voters and their family members; the reason was "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.⁵² The permanency of employees without any evaluation for their performance was reducing public enterprises' productivity. Public employees when retiring, received a significant lump sum payment (called *efapax*). Of course, some of the above practices caused serious inefficiency and budgetary problems to Greece.

On the contrary, private firms (POEs) are concerned mainly about their profits:

$$(5) \quad \begin{aligned} \max \quad & \pi_t = f(R_t, \bar{\xi}_t, w_t, i_t, \varphi_t, \sigma_t^2) \\ & f_R > 0, f_{\bar{\xi}} < 0, f_w < 0, f_i < 0, f_{\varphi} > 0, f_{\sigma^2} < 0 \end{aligned}$$

where, π_t = profit [or $\max V = D + E$ = the market value of liabilities (D) and equity (E)], R_t = revenue ($P_t^{PF} \times Q_t^{PF}$), $\bar{\xi}_t$ = executives' compensation, w_t = real wage, i_t = cost of capital, φ_t = a firm specific effect, and σ_t^2 = a risk factor.

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 firm, based on eq. (5). Their first concern is the reduction of the labor costs, the increase in earnings by engaging in risky investment, the determination of CEOs' outrageous 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 the 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 thousand per annum). This discrepancy is completely unethical, unfair, and a waste of resources, without any positive effect on social welfare.

Aristotle's social welfare plan had some secondary goals that served the ultimate goal.⁵³ They were the stability of the democratic state (that we do, today, through enforcement, police, secret services, spying, and terrorizing the citizens) and the fulfillment of the state's ends, liberty and equality. Also, Aristotle's land distribution plan brought about a kind of parity between the rich and the poor. There is no excuse for Greece to ignore the wisdom of her forefathers. Today, the chasm between these two groups is widening and the middle-class is in extinction (wiping out).⁵⁴ The government should partially (less than 50%) privatize only its most inefficient, heavily subsidized, and those firms that are not part of the national security of the country, and the firms least likely to upset political and social interest groups. The nation must have high cohesion, solidarity, and patriotism among all stakeholders and preserve these values for the benefits of all citizens and for its national defense, especially today with all these external pressures, and its being surrounded only by enemies. Of course, to maintain SOEs ownership in domestic private hands, it would be preferable, instead of selling them to foreign bidders (alienation of public wealth), to find only domestic buyers.

Further, the 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 the many activities that fall into the government's domain ("public goods"). These activities must be: national defense, public safety, health care, public utilities (electricity, gas, water, telephone), public transportation (airlines, railways, etc.), public parks, the survival of endangered species, postal services, agricultural banks, defense-related 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 almost all schools, security services, and the criminal justice system.

It is well known, historically, that public goods cannot be provided by the free market. The value of these goods is hard to identify and to allocate among beneficiaries, who will enjoy them and will share their cost⁵⁵ (through a fair and efficient tax system). The citizens need education, incentives, national conscience, social cohesion, public wealth, national currency, public policies, security, safety, resource users' fees, ownership rights, 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), which is a common tradition for Greeks. The market is too 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 mentioned above, in the *Politics*, Aristotle urged democratic states to pay attention to both the wealthy and the poor. Thus, our nations today, with their anti-social policies, cannot be democracies! Aristotle warned that "poverty is the cause of the defects of democracy" (1320a/1998, pp. 36-37). The current signs are proving this warning.

Lastly, privatization of industries with natural monopolies, such as a high-way,⁵⁶ water supply, and so forth, could lead to abuse of monopoly power. 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, national debt, globalization, etc.), ownership has shifted towards the private sector, and unfortunately, at a dramatic speed, without taking into consideration the negative impact on the citizens, due to the high risk of the uncontrolled (deregulated) financial market, where the private sector has to comply to its orders and objectives. There are cases that private-sector activities can exist alongside 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.⁵⁷ The state ought to control a range of core economic activities that have strong public-good characteristics, which were mentioned above. The objective of businesses must be only one: the nation's social welfare.

Some Suggestions and Concluding Remarks

Enforced privatization has become, lately, a nightmare for the indebted Greece and her risk-averse citizens. Assessment of the comparative performance of the different enterprises owned by private firms (POEs) or by governments (SOEs) is basically impossible: first, due to the complexity and social effects; and second, 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, in the world, and it is forcing Greece, through Troika, to sell off all her national wealth. However, what will be the social benefits or the social welfare for the nation? By pure economic measures, we might say that in the past, there was economic welfare, but there was no social welfare. This expropriation of the national wealth is destructive for Greece and her citizens. Employment has also been negatively affected, and it is becoming worse (50% unemployment among young people and 25.4% the average unemployment rate in August 2012). The Euro-zone with its austerity measures might have created some opportunities for the financial markets and an insignificant revenue for the government; but its overvalued common currency, the loss of public policies of the members,⁵⁸

and the relinquishing of its sovereignty 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. Greece is forcefully losing her public wealth!

Excessive privatizations have been motivated by a range of different subjective goals and imposed objectives; many have nothing to do with efficiency or social welfare. Some goals are fiscal, raising money from the sale of public enterprises (SOEs) in order to reduce deficits and pay for the current government expenditures, due to its inefficient management and corruption. Some other goals are collectible, gathering money and paying off at least the outrageous usurious interest on the outstanding loans. Also, privatization is reducing the economic and political influence of unions, which is against workers' interest.⁵⁹ These new private firms with their shares will stimulate and develop the domestic capital markets and provide more investment opportunities (share ownership) to wealthy citizens, to pension funds, to institutional investors, and, most of all, to foreigners. Also, the economic importance of the government will be reduced and the private firms (multinationals) will take over (economic imperialism, globalization, etc.) the entire national wealth. Greece will lose completely her sovereignty.

These unreasonable privatizations are part of the austerity measures that Troika has imposed, and it continues to enforce more restrictions and cuts of €11.8 billion from all sectors of the economy of the indebted Greece, which will make the recession worse. They want to test the citizens' reaction, regarding these imposed rules for their "planned" first global financial crisis, which caused the debt crises in EU, and the controlled Greek Parliament to pass a law, with which, it is hoped, the state will raise about \$50 billion over the next years from privatization. The poor Greek state had to pass these measures to qualify for the next installment of emergency loan of €31.5 billion from the Troika (IMF, ECB, and EU) to finance her current expenses (government spending) until November 2012.⁶⁰ In the future, these loans with an extremely high interest rate will have to be paid back. There is only one place from which the government can attain revenue, and that is from taxpayers (the middle class because wealthy individuals and businesses do not pay taxes). But the economy is in a deep recession and with all these austerities, there will be no growth, so the disposable income is falling every day. Thus, there is no way for the tax revenue to increase. For this reason, along with tax increases, there will also be large scale privatizations (expropriations of the national wealth), if there will be anything left from the previous and current privatizations. Also, now that the stock market is so weak (assets are underpriced), the sales of the SOEs will be at very low prices. Thus, privatization must be avoided completely during this period.

Actually, the SOEs belong to the citizens (tax payers and the loan payers) and not to the governments. Greek citizens have paid for the construction of their public sector utilities and infrastructure through money acquired by force (high taxes), so the government should have no right to ownership of them. How can the Greek government give away something that belongs to the citizens? In reality, creditors are extorting the Greek government to sell off the wealth of the citizens. This is completely unethical and unconstitutional and must be prohibited by the Greek justice system (Supreme Court). As time goes on, despite the ability of the creditors to extract money forcibly from Greece, the revenue from privatization is so small and will decline further, as time goes on; then the country will go more and more into debt because of her negative growth (deep recession). Eventually, Greece must borrow money from well-established banks to pay for the necessary expenses of the remaining government sector (SOEs), but Troika has reduced the government sector drastically. When banks make these loans, they use Greece's assets (national wealth) as collateral. The banks are more likely to lend money to Greece and

more likely to want Greece to default, since they are confident that they will come into possession of Greek property through the aid of Troika's strong-arm tactics.⁶¹ It is a win-win situation for the banks and a crime against Greece; for this reason, the Greek politicians, who are responsible for this debt crisis, must go to prison, and their assets, if they come from public money, must be confiscated. Even if Greece does default or stop payments, banks already have made a sizable profit (with 24% interest rate) by milking the country for many years, and will walk away. Things do not look so good for Greece and her citizens. The dictatorship of the uncontrolled banks is in control of citizens' lives!

Finally, citizens of Greece need "good life self-sufficiency",⁶² which includes sufficient work, sufficient property ownership, sufficient wealth, sufficient education, sufficient leisure time, sufficient progress, sufficient independence, and sufficient freedoms. Greeks need to reach human excellence (perfection), and they need self-sufficiency, security, safety, certainty, and sovereignty for developing virtues. In addition, citizens need private property ownership, and nations need public property ownership. State ownership makes people co-owners and cultivates civil friendships, love, patriotism, and involvement in the life of the state (homeland, nation). The end of an Aristotelian democracy is liberty and equality. Of course, five centuries later, Greeks adopted new superior virtues, compared to their previous moral, ethical, and philosophical ones, through revelation (their Orthodox faith). 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, bail-out costs, loss of sovereignty): ($MB_p = MC_{SED}$). Greek politicians have an enormous obligation towards their historic nation and citizens; for this reason, they have to say "No" to the forced expropriation of the nation's wealth. They have to send Troika back to where it came from, stop payments on these usurious loans (debts), and leave the Euro-zone. By following these policies, there would be no need for any expropriation of the national wealth.

Endnotes

1. *Farming* is a technique of financial management, namely the process of commuting (changing), by its assignment by legal contract to a third party, a future uncertain revenue stream into fixed and certain periodic rents, in consideration for which commutation a discount in value received is suffered. It is most commonly used in the field of public finance, where the state wishes to gain some certainty about its future taxation revenue for the purposes of medium-term budgeting of expenditure. The tax collection process requires considerable expenditure on administration and the yield is uncertain both as to amount and timing, as taxpayers delay or default on their assessed obligations, often the result of unforeseen external forces such as bad weather affecting harvests. Governments (the lessors) have thus frequently over history resorted to the services of an entrepreneurial financier (the tenant) to whom they lease or assign the right to collect and retain the whole of the tax revenue due to the state in return for his payment into the Treasury of fixed sums (rent) in exchange.

2. A *defense contractor* (or *private military contractor*) is a business organization or individual that provides products or services to a military department of a government. Products typically include military aircraft, ships, vehicles, weaponry, and electronic systems. Services can include logistics, technical support and training communications support, and in some cases team-based engineering in cooperation with the government. Military contractors do not generally provide direct support of military operations. Unfortunately, lately, we saw their corruption, the sales of needless and useless military equipments, and the bribery (commissions) that these military contractors offer to politicians. See, “How They Made Greece ‘A Rubbish Dump of Armaments,’ ” *Dailynews24.gr*, September 4, 2012.

3. See Kikeri, Nellis, and Shirley (1992).

4. See Private Participation in Infrastructure Database, *The World Bank Group*.

5. Actually, corporations and wealthy people are paying relatively fewer taxes compared to the middle class, which is unfair and unethical, and their tax evasion is very high, too. This illegal capital flight is a large proportion of deposits in offshore centers and tax havens. The same holds true in the U.S., where GE paid no taxes; Goldman Sachs paid \$14 million in 2010. The GAO reported in 2008 that “two out of every three United States corporations paid no federal income taxes from 1998 through 2005.” Companies have become all too astute at paying for loopholes, which allow them to shift profits abroad or move their gains (on paper) to foreign low-tax/no-tax nations. As the data below show, the change in corporate taxes — not merely rates, but what they actually paid — over the past half century are astounding. (1) Corporate Taxes as a Percentage of Federal Revenue; in 1955: 27.3% and in 2010: 8.9%. (2) Corporate Taxes as a Percentage of GDP; in 1955: 4.3% and in 2010: 1.3%. (3) Individual Income/Payrolls as a Percentage of Federal Revenue; in 1955: 58.0% and in 2010: 81.5%. There is no hope with these politicians, who care only for their politics and not for their citizens. The current “democratic” system does not work anymore!

See

http://www.boston.com/business/globe/articles/2004/04/11/most_us_firms_paid_no_income_taxes_in_90s/ and <http://www.ritholtz.com/blog/2011/04/corporate-tax-rates-then-and-now/>

6. Demonstrations are much more often lately, due to the austerity measures, privatizations, and loss of jobs. The goal is a huge reduction of the public sector and its employees. The party in power was the socialist one, which became more liberal than the traditional centrist (N.D.) one. (TV News, 2010 and 2011). Now a coalition government follows the same orders.

7. These Greek leaders have to say sometimes “NO” because Greece has lost its sovereignty and it is losing her own identity. There is no need for Greece to be a member of a union with culture and value system inferior of her own. This is the biggest historical mistake of Hellenism and responsible are her leaders, who act against Greece’s interest. Of course, if the National Bank of Greece were a public bank (SOE) and the drachma the currency of the country, the current crisis would have been less dramatic.

8. See *The Wall Street Journal*, February 20, 2009, pp. A1 and A11.

9. See Kallianiotis (2011a).

10. See Cobus de Swardt, “Money Will End up to the Pockets of the Few...”, *Dailynews24.gr*, September 20, 2012.

11. See *Privatization Barometer*,

<http://www.privatizationbarometer.net/atlas.php?id=13&mn=PM&print=1>

12. The government of PASOK had sold 66% of OTE and the government of N.D. sold the other 29%. Finally, only 5% of its shares stayed with the Greek government. The conflicts in the

Parliament were continuing because of this issue and the demonstrations have been going on for a long time. (TV News *ALTER*, May 9, 2008). Polls revealed that 71.7% of Greeks were against OTE's privatization (*e-grammes.gr*, 11/14/2008). But no one cares for the powerless citizens' opinion anymore.

13. See Kallianiotis (2009). The Greek government was hoping to sell off up to all of its remaining 16% stake in OTE in June 2011, but did not make clear how much would be offered to Deutsche Telekom, which currently holds a 30% stake in the company. OTE shares closed up 4.8% on the Athens Stock Market, on May 26, 2011. See http://www.msnbc.msn.com/id/43181917/ns/business-stocks_and_economy/t/greece-seeks-rapid-sale-ote-stake/#

14. The German magazine *Spiegel* published that Deutsche Telekom was accused of tapping phones (bugging telephones of Greek officials) during the agreement process with OTE. This was a criminal act and in the future the security of Greece will be in danger. In 2007, Vodafone tapped the telephones of many Greek leaders, from the Prime Minister to the Chief of Staff of the Armed Forces, and many other members of the government, but unfortunately, the company was not expelled from the country. Politicians have zero power in our days!.. (TV News *ALTER*, May 26, 2008).

15. Greek airline, formerly known as Olympic Airways, founded on April 6, 1957, by the Greek ship-owner Aristotle Onassis (1906–75); but, from 1975, wholly owned by the Greek government. Services from Greece into Western Europe began in 1957, and by 1980 services extended throughout Greece and internationally from Athens to many of the major cities of Europe and the Middle East, as well as to North America, Africa, Southeast Asia, and Australia. Since its privatization, the airline has disappeared from all its international routes.

16. There were three prospective bids (Aegean Airlines, Chrysler Aviation, and MIG); the government and the employees of Olympic Airways preferred MIG (Andreas Vgenopoulos) buy the company, and the deal was successful. (TV News *ALTER*, March 4, 2009).

17. In a press conference Vgenopoulos said that his objective was to keep this historic Greek airline in Greek hands for patriotic reasons. (TV News *ALTER*, March 10, 2009). On October 22, 2012, the Aegean announced a merger with Olympic, which is subject to EU competition clearance.

See <http://www.ryanair.com/en/news/ryanair-welcomes-aegean-olympic-merger>

18. See "For Sale Off the First Forty Islands", *Dailynews24.gr*, September 12, 2012.

19. The first one was in 1822, the devastation and massacre of Chios by the forefathers of today's investors. The casino will destroy the island financially, morally, and ethically, too. See *Dailynews24.gr*, September 13, 2012.

20. See "Defense Officials: Barak Muddled Buying Greek Isle for Israeli Navy Training", *Dailynews24.gr*, September 12, 2012.

21. See "153 'Yes' and 7 cross-outs from PASOK and ND", *Dailynews24.gr*, November 8, 2012.

22. See *Dailynews24.gr*, 24/1/2012, video with Mitsotakis' speech.

23. "From the Skylla (Ruthless Bitch) to Charybdis (Predatory Monster)". Many members of the EU from the previous Soviet Republics contemplate communism instead of the current global financial crisis of capitalism, as we see often in the News.

24. See Stiglitz (2002, p. 54).

25. IMF continues even today, with the global financial crisis, the Euro-zone debt crises, and the severe recessions, to insist on the same wrong philosophy: High taxes, lower wages and salaries, privatizations, and tough austerity measures to reduce the deficits and debts. But, the ultimate

economic objective is the social welfare of the citizens and not the welfare of the government Treasury or of the lenders or of the speculators.

26. An example of this problem is the following. The governors in many central banks around the world are coming from MIT and were students of Stanley Fischer. (1) Stanley Fischer (governor Bank of Israel), (2) Ben S. Bernanke (governor U.S. Fed), (3) Mario Draghi (governor ECB), (4) Mervyn King (governor Bank of England), (5) Lucas Papademos (ex-governor of Bank of Greece, ex-ECB vice president, and ex-prime minister of Greece), (6) Athanassios Orphanides (governor Bank of Cyprus), (7) Duwuri Subbarao (governor Reserve Bank of India), (8) Jose De Gregorio (Central Bank of Chile), (9) Charles Bean (King's deputy in Bank of England), and (10) Oliver Blanchard (IMF) (sic).

27. Today, with this undervalued stock market, the sales of SOEs will be at an unfair low price, which does not benefit the government (less revenue) and hurts the citizens (less employment and income and high uncertainty).

28. Unemployment is the worst deficiency of capitalism, which offsets all its other benefits and makes it the dismal socio-economic system.

29. See Stiglitz (2002, p. 57).

30. Greece has been suffering for more than 30 years with the socialists in power because they are against Greece's value system and against the nation's welfare, due to their corruption and their control from the "new age" advisers.

31. These acts are going on in every EU member-nation (Spain, Greece, Italy, Portugal, England, etc.). See <http://alternativenewsreport.net/category/riots-civil-unrest-uk-europe/>

32. But the latest Greek politicians did not know the Greek language, history, culture and, of course, they did not understand this Greek proverb.

33. This has been said by four Nobel Laureates (Robert Solow, Finn Kydland, George Akerlof, and Robert Fogel). See *The Wall Street Journal*, August 25, 2008, pp. A1 and A2.

34. "Devolution is the transfer or decentralization of government functions from higher to lower of the federal hierarchy. Privatization is the shift of state services, assets or functions to nonstate sectors, especially the market, which is further implicated in shrinking the state. It also represents a reordering of claims in a society, as a general movement of institutional design, privatization undermines the foundation of claims for public purpose and public service." See Morgen (2001, p. 747).

35. Privatization and denationalization, which is considered by Greek politicians a more "politically correct" term and a better one to be perceived by the people, actually have the same meaning. Of course, the results are the same: the national wealth becomes private (business) and mostly foreign wealth, which is determined by the financial markets. "Business is about maximizing profits. -Big business has organized. -This site is about their organizations: -the International Monetary Fund (IMF), the World Trade Organization (WTO), and the World Bank (three faces of the same hydra). -Their philosophy and movement in this country is commonly called neoconservatism, in Europe and the rest of the world, neoliberalism. They also go by the appellations of flat worlders and globalizers. -A more fitting label is *robber barons*. Through donations and their big stick, the media, they dominate American politics." See <http://www.skeptically.org/wto/>

36. 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.

37. 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.

38. $E(R_p^G) < E(R_p^{PF})$ and $\sigma_{R_p}^G < \sigma_{R_p}^{PF} \Rightarrow$ cost of capital and risk are increasing with privatization.
39. Where, $CIF^G = COF^{PF}$ and $R^G < R^{PF}$.
40. Lately, a default risk appeared for government securities. Even, the U.S. government securities are not risk-free anymore, after the current financial crisis and their downgrading by *Standard & Poor's* in August 2011. Also, currency (cash money) is not risk-free because there is inflation and currency depreciation that reduce its value.
41. Assumed that $K^{SOE} < K^{POE}$. Then, $K_{t+1} \uparrow \Rightarrow i_{t+1} \uparrow$ (with the privatization).
42. Assumed that $L^{SOE} > L^{POE}$. Then, $L_{t+1} \downarrow \Rightarrow w_{t+1} \downarrow \Rightarrow u \uparrow$ (after privatization).
43. See Kallianiotis (2011c).
44. 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* ratio exceeds the optimal ratio (*PP**).
45. Unfortunately, Greece, in the last 30 years, has had the most corrupted government in her 7,000-years-old history, the socialists of PASOK, the centrists of N.D., and some others.
46. See Kallianiotis (2011b).
47. This changed during the recent debt crisis and the dependence of nations on loans from the anti-social IMF. Public employees will lose all their privileges that the previous sovereign nations had offered to them. Nations cannot pursue their own policies anymore. This is the beginning of the social dissolution of the nation, the first stage of globalization. Imagine what will be its second and third stage!
48. Greece, for example, with her 7,000-years-old Hellenic culture and her 2,000-years-old Orthodoxy, cannot follow what the others are doing. The other sub-cultures have to follow, if they want to benefit from 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 extreme philosophical systems, which are completely imperfect and should be rejected.
49. 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. Thus, democracy is in crisis!..
50. See Bhaskar and Khan (1995, p. 270).
51. Illegal migration is the number one problem in Greece and Europe the last 20 years. Those illegal immigrants are driven forward to Greece by Turkish smugglers, which is the objective of a Muslim Turkish policy to dilute the European and, mostly, the Greek Christian identity. This is actually a dirty war, which has continued since the 12th century, and European politicians are blissfully sleeping.
52. See Kallianiotis (2009, pp. 75-76).
53. See Drogalis (2008).
54. Twenty-five centuries after Aristotle's moral and ethical philosophical teachings and 20 centuries since we have had the revealed truth, today's "democracies" are acting much worse than Hellas in her Golden Age and the 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. See "Poverty Threaten 21% of

Greek Population”, *Crete Gazette*. <http://www.cretegazette.com/2007-11/greece-poverty.php> and <http://www.indexmundi.com/g/r.aspx?c=gr&v=69>

55. Unfortunately, there will be some free riders (underground economy, illegal immigrants, etc.), but we can find solutions there, too.

56. 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).

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

58. “In the eyes of the skeptics, each country is better off setting its own interest rates at levels appropriate for local conditions.” See Wynne and Koech (2012, p. 1).

59. 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: capitalism with its globalization). Lately, many union officials in Greece have been found taking advantage of their position by being involved in abuses of their power, exploitation, and corruption.

60. It is now obvious how much the optimal amount of debt is, which is not what the theories of 1960s and 1970s were declaring. The optimal amount of debt (public and private) is zero!..

61. Troika is imposing more restrictions (austerities) on Greece to receive a new loan. See “The Twenty Mandates ...”, *Dailynews24.gr*, January 27, 2012.

62. Even Aristotle understood self-sufficiency, which builds state stability. A person must participate in the activities of the state in order to achieve his natural end and love it, as his own country. The ideal city (state) supports “mere life, it exists for the sake of a good life”. (Aristotle, *Politics*, 1252b27-1253a1).

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