Published on *Adam Smith Institute* (http://www.adamsmith.org)

Greece's problematic privatization [1]

Written by **Dr Eamonn Butler** [2] | Wednesday 29 June 2011

Greece aims to raise €50bn from privatizations between now and 2015. Good luck. Since 2000, the country has already netted €10bn through privatization, but the new target means doing five times more, in half the time. And although many of the properties in the privatization list are already on offer, there have been no takers so far. Maybe it is not surprising that people are reluctant to invest in a country so corrupt, or in companies with such an appalling work culture. Meanwhile, other countries like Ireland and Portugal are trying to interest investors in their state businesses too. So it looks like a tough sell.

Among the companies on the privatization list are a telephone operator, shares in half a dozen banks, a couple of water companies, a gas company, train operators, airports (including defunct ones), a weapons contractor and regional ports and highways. No doubt there will be public resistance to all of these on the grounds that they are 'priceless national assets'. If only.

Meanwhile, the Greek government will be trying to sell off old Olympic venues, a state lottery, a horse-racing concession, a stake in a casino, a nickel mine, and thousands of acres of agricultural land. Which begs the question of why it owns these things in the first place. They are hardly matters of national security or prestige.

If Greece's privatizations are aimed just to make money to fill a black hole, they will not work. For a start, the black hole is far too deep for €50bn to fill. And right now, with the market low and lots of other governments holding fire-sales too, it is not exactly the right time to get a good price for any business. And if privatization is to work, it needs to involve the whole population ? and not just sell companies to China or some other wealthy overseas power, which would be deeply unpopular. But with the Greek public already complaining that their pockets are empty, the chance of getting a good price from them is vanishingly small.

The real objective in Greece should be to turn round loss-making state-owned monopolies and make them profit-making, tax-paying, competitive enterprises. Having a privatization deadline might help that process. In the UK, it was only the fact that nationalised industries like British Steel and British Airways knew that they would be privatized that made them squeeze out waste and make themselves into proper commercial companies. Once you have made a company fit, paid off its debts and cleaned up its accounts, then you can sell it. Not before. So the prospect of future privatization presents a real reform opportunity. And it sends the markets a message too that Greece is serious. Whether any of that will happen, though, I doubt. This is Greece, after all.

blog comments powered by Disqus [4]

Source URL: http://www.adamsmith.org/blog/regulation-and-industry/greeces-problematic-privatization

Links:

[1] http://www.adamsmith.org/blog/regulation-and-industry/greeces-problematic-privatization
[2] http://www.adamsmith.org/authors/dr-eamonn-butler
[3] http://disqus.com/?ref_noscript
[4] http://disqus.com