The looting of the Greek economy: The case of the Greek railway and Public Power Corporation

Written by Themis Tzimas, Constantinos Gavrielides Published: Monday, 25 July 2016 09:40

With the implementation of the third bailout agreement being fast-tracked and the groundwork being laid for a new one in the guise of a medium-term framework, the Greek economy is undergoing structural changes that, on the heels of the social insurance and tax legislation, will further impede it in relation to other developed economies. Self-employment in small and midsize businesses, private sector salaried work, and ownership of small and midsize enterprises have been crushed, only to be followed by "renationalization" of public infrastructure and public utilities for the benefit of foreign states.

The post-Soviet dissolution of the economies of the so-called Eastern Bloc was enforced in the name of necessitated modernization. In reality, it was plunder on a mass scale which, hardly coincidentally, spawned powerful mafias. Businesses with productive capabilities were deliberately downgraded so they could be sold off cheaply as unhealthy enterprises. This proved an alternative way of destroying a national economy to ensure guaranteed profits for the domestic parasitic oligarchy and its foreign patrons. This didn't just lead to the devastation of a state and an economy, but had disastrous social repercussions as well.

Voucher Value of Russian Companies Compared with Market Value (In Million U.S. Dollars)

Company	At Voucher Auction Prices (1993-1994)	At Russian Stock Market Prices (August 1997)
Gazprom (natural gas)	250	40,483
Unified Energy Services (electricity)	957	17,977
Lukoil (oil)	704	15,839
Rostelecom (telecom)	464	4,172
Yuganskneftegaz (oil)	80	1,656
Surgutneftegaz (oil)	79	6,607

Data compiled by Paul Klebnikov from various sources.

The Six Most Expensive Loan-for-Share Auctions
(In Million U.S. Dollars)

Company	Auction Price % auctioned	Market cap* (Nov.-Dec1995)	Implied by auction price	Market cap on the stock market (August 1, 1997)
Lukoil	5	35	700	15,839
Yukos	45	159	353	6,214
Surgut	40	88	220	5,689
Sidanco	51	130	255	5,113
Sibneft	51	100	196	4,968
Norilsk	51 (voting)	170	333	1,890

Data compiled by Paul Klebnikov from various sources.

* Market cap. is market capitalization, the value the market attributes to a company, measured by the number of outstanding shares times the market value of each share.

Source: Privatization and the Looting of Russia: An Interview with Paul Klebnikov

The privatization of regional airports, Piraeus Port Authority (OLP), and recently the railway operator TrainOSE and Public Power Corporation (PPC) are typical of this hybrid model entrapping the productivity of the Greek economy as a national economy in a regime of decline promoted by the bailout agreements as an inextricable condition for Greece remaining in the eurozone. This is the model the Syriza government is implementing with religious devotion.

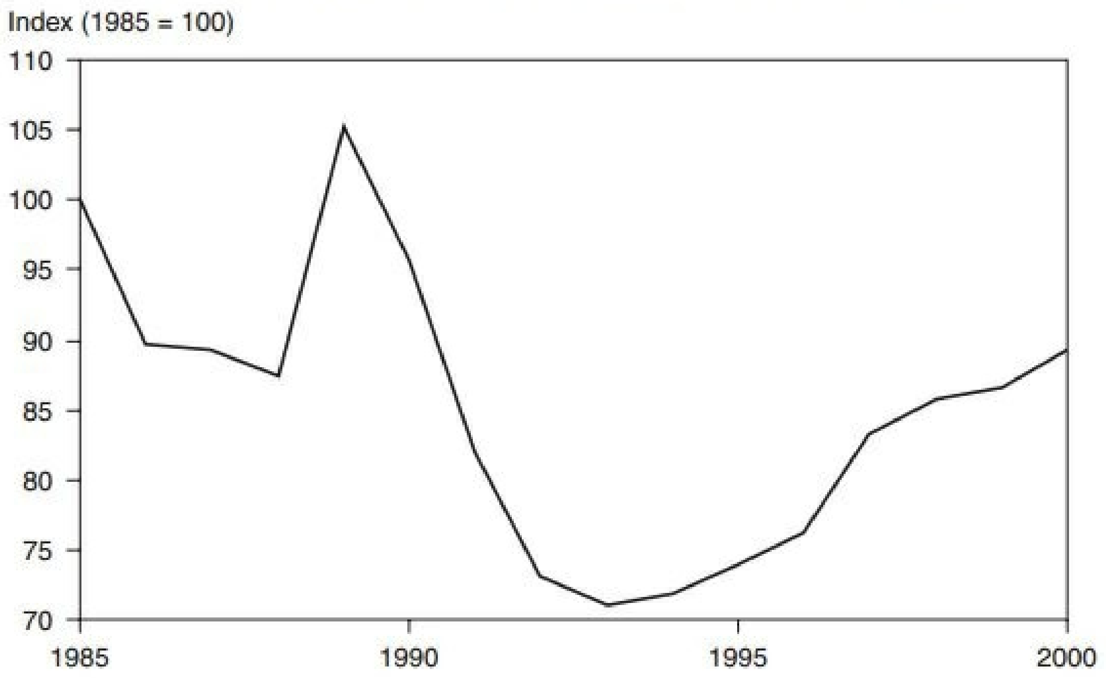
TrainOSE was sold to the Italian state railways for the petty amount of 45 million euros—in a tender with a single bidder and fudged company data. TrainOSE's monopoly and thus its potential were not weighted, nor was the fact that it had remained profitable even during the recession. And while Syriza in opposition had railed against what it called a fire-sale price of 300 million euros for the railway, the 45 million euros for which it was sold was dubbed a triumph. Why? Enter the European Commission, that is, the EU. The EU allegedly demanded the return of illegal, in its view, subsidies of some 750 million euros unless the company was sold. Overlooking the fact that all this had been known in the past, when Syriza condemned what it now defends, it is an incredible game: the legality of the supposed EU rule of law and unbendable rules regarding companies is amended according to who is the majority shareholder. If the Greek public sector is the main shareholder, the rules are inflexible. If the largest stake is held by a private entity or foreign state, the illegal subsidies that must be returned by the company disappear. Incidentally, this was a threat made by the European Commission, not a decision.

How did the Greek government react? Did it demand to be exempted from EU rules that are destroying the economy as Great Britain had done in light of its then-impending referendum? Did it develop a counter-plan to the European Commission's threats? No. It just sold, at a bargain price, guaranteed profits to a foreign state.

A similar crime, albeit on a far larger scale, was committed in the case of the Greek Public Power Corporation (PPC). After years of subsidizing its competitors and being discredited by its managers, PPC is being directed to forcibly lose 50 per cent of its consumers over a period of just a few years! This is an unprecedented agreement in economic history: compulsory depreciation of a company, which has been identified with the national economy's strongest growth surges, for the benefit of domestic parasitic and foreign capital.

During a similar restructuring in Argentina, over the period of a decade (1991-2001), the main private electricity companies formed after SEGBA's privatization were EDENOR, EDESUR, and EDELAP.

Consumer price index, 1985–2000 (annual averages)



Source: INDEC.

The law stipulated that pricing must be set according to cost, thus precluding cross-subsidies for low income households and pensioners. Consumer prices went up while the country's GDP was in decline.

Meantime, more than 85,000 people were laid off from FFAA (railways) and SEGBA (power company) to join the country's already-swelled unemployment rolls and, of course, excessively increased the profits of the private companies taking participating in the privatizations.

Employment in privatized firms as a proportion of total employment and change in total unemployment

	E		E/TE (percent)			Layoffs/ΔTU
Company	**1987–90**	**1997**	**1987–90**	**1997**	**Layoffs**	(percent)
AA (airline)	10,283	4,840	0.11	0.04	5,443	0.48
ENTEL (telecommunications)	45,882	29,690	0.48	0.27	16,192	1.43
FFAA (railway)	92,000	17,000	0.96	0.15	75,000	6.61
GE (natural gas)	9,251	3,462	0.10	0.03	5,789	0.51
OSN (water)	9,448	4,251	0.10	0.04	5,197	0.46
SEGBA (electricity)	21,535	7,945	0.22	0.07	13,590	1.20
YPF (oil)	34,870	5,700	0.36	0.05	29,170	2.57
Total	**223,269**	**72,888**	**2.32**	**0.66**	**150,381**	**13.24**

Source: "Argentina's Privatization: Effects on Income Distribution", Huberto M. Ennis and Santiago M. Pinto

Source: "Argentina's Privatization: Effects on Income Distribution," Huberto M. Ennis and Santiago M. Pinto

The future of privatizations in Greece is unlikely to be different.

TrainOSE and PPC are just two instances that have set the government and media celebrating and the opposition trying to claim its share of the “success”. In reality, both cases illustrate how and why the Greek economy is being held back while its productive sectors and enterprises are pillaged.

The consequences of the manipulation of the tourism industry will soon be evident after the ultimate “success” of the acquisition of fourteen regional airports by a single company, Fraport. Given its close association with the behemoth BTW German Tourism Industry, it is only a matter of time before oligopolies begin operating in the name of modernization and growth.

Based on the above one also notices a parallel development: the emergence of a segmented, albeit only territorially, national economy. The class strata that produced and consumed did so exclusively within the framework of the national economy and were thus dependent on corresponding demand at the national level. These class strata are now being shrunk or dissolved. After the “small” and “midsize” workers and self-employed entrepreneurs, this is gradually spreading to larger businesses—but not necessarily to the businessmen, of course.

Greece’s most vital infrastructure and biggest enterprises, with guaranteed profitability, are being effectively detached from the national economy through “renationalization” in favor of foreign states. Two divergent trends are taking shape: the national economy’s decline and the detachment from it of structures that geographically, and only partially economically, remain within the national framework although in essence they are incorporated into the circle of foreign and stronger national economies.

It is simultaneously neo-colonialism and post-Soviet type looting that under the pretext-slash-threat of remaining in the Eurozone impose a permanent relation of weakness within the developed world. It is a relation of controlled oligopolies centered around the banking and monetary control of EU countries. Inevitably, it is denuding Greece’s productive forces and inhibiting any possibility of a growth policy.