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***«Public policy and social responses to privatization:
A comparative analysis of Banking Sector and Public
Utilities Reform in Greece»***

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ABSTRACT

This paper aims at examining the consequences of privatization on the process of the formation and implementation of public policies as well the social response to privatization policies. The field of research includes: (a) the banking system, and (b) the public utilities. We will try to locate and study in a comparative framework the changes of implemented policies in these sectors as well as the changes in the way that social action has been formed and embedded in politics during the period 1991-2014. The central axis of reference is determined by the shift of the boundaries between the public and private sectors in favor of the latter. In particular, the main points of research are the consequences of the European integration process and the current economic and financial crisis on the institutional and structural transformations of the fields under examination. The larger theoretical question running through the analysis consists an attempt to trace out these transformations in connection to the content of the state action and the state's relation with trade unions, pressure groups, social movements and the users affected by the privatization process. Beyond the relevant bibliography, the empirical research includes original data and targeted interviews.

Key words: Privatization, Social Movements, Banking Sector, Public Utilities, Greece.

Introduction

Privatization is a process of transferring property rights, assets, institutions, firms and operations from the ownership and control of the state to the private sector¹. During the 1990s, both socialist modernizers as well conservatives and neoliberals alike favored the privatization policy in Europe and America. Privatization took various forms and was implemented through different tools and methods, mostly through selling state-owned companies to private investors. Privatization programmes included public enterprises, such as public utilities (e.g. telecommunication, electricity and water companies), banks, insurance and other financial sector firms and manufacturing companies. The policy was “justified” by its followers using a variety of real or exaggerated problems. As well, the motives, the goals and the type of privatization differed. In some instances, the purpose was to develop better functioning of publicly owned companies, since in many cases nationalized enterprises either had become overindebted or/and associated with poor service to the users of these companies. Sometimes governments transformed

¹ Starr P. (1988), *The Meaning of Privatization*, *Yale Law and Policy Review* 6, pp. 6-41 ; OECD, *Glossary of Industrial Organisation Economics and Competition Law* (<http://www.oecd.org/regreform/sectors/2376087.pdf>, retrieved: 30.03.2013).

state-owned enterprises that were previously monopolies in their sectors into semi-private or private enterprises operating in deregulated and liberated competitive markets. In other cases, in order to finance new services or research and development (R&D), the governments used the policy of privatization for raising new capital either for the companies or for the state's budget in times of public spending constrains. Last but not least, many public services that were offered through state agencies (in-house services such as IT, facilities management) are now being contracted out.

Along with the economic and productive activities transferred to the public sector, privatization touched some of the core social functions of government. The effect of neoliberalism and economic globalization is closely related to these developments. Governments are attacking the welfare state and its institutions, the viability of which is questioned. The ability of multinational corporations and financial institutions to transfer monetary assets from country to country pushes conservatives and socialdemocrats to reduce social spending and to create "market-friendly" policies privatizing even pensions and social security programs such as medicare and medicaid in order to keep the investments of multinational enterprises in the domestic economy. Moreover, these governments impose measures such as tax reductions for enterprises, easing of inflation pressures, improvement of public agencies' quality and efficiency, abolishing bureaucratic structures etc.². Globalization is accelerating and capital is searching for profitable new markets with cheap labor and low taxes urging the elected governments to shrink or even abolish social state provisions. Thus, privatization can be conceptualized as a retreat of both the economic and the social functions of the state.

In Greece, privatization policies were initiated in early the 1990s, as part of the broader project of state reform. Privatizations were implemented mostly through the selling of shares of state-owned entities to private investors and individuals. Two major areas of reform were the banking system and the public utilities. In the past twenty years, most of the state-controlled banks were privatized and many utility companies entered the Stock Market. At the same time, these sectors were gradually liberalized under the single market pressures. Until the late 1990s, the financial industry was further deregulated following the principles and provisions of the Second Banking Directive of the EU and telecommunications and electricity markets were prepared to open to competition. The current economic crisis placed the privatisation programme at the top priorities of the government's agenda and accelerated the ongoing reforms. Privatization policies produced various social and political reactions, which were expressed through the reaction of the affected groups,

² McKenzie R. and Dwight L. (1991) *Quicksilver Capital: How the Rapid Movement of Wealth Has Changed the World*. New York: Free Press; Gill St. and Law D. (1988) *The Global Political Economy*. Baltimore: Johns Hopkins University Press; Ross R. and Trachte K. (1990) *Global Capitalism: The New Leviathan*. Albany: State University of New York Press; Greider W. (1997) *One World, Ready or Not: The Manic Logic of Global Capitalism*. New York: Simon & Schuster.

in particular, trade unions, pressure groups, social movements and the citizens as users of the privatized services. These actors opposed to varying degrees the politics of the privatization process and supported alternative ways of rebalancing the public-private boundary.

This paper examines the privatization process through the lens of public policy, as well as the social response to privatization. The field of research includes: (a) the banking system, and (b) the public utilities. We will try to locate and study in a comparative framework the policy shifts in these sectors as well as the changes in the way that social action has been formed and embedded in politics during the period 1991-2014. Taking as key independent variables the pressure of economic liberalism, the European integration process and the impact of the current economic and financial crisis, we will explore the institutional and structural transformations of the fields under examination as a result of privatization. The larger theoretical question running through the analysis consists an attempt to trace out these transformations in connection to the content of the state action and the state's relation with the social groups affected by the privatization process. The cases under study include the privatized state-controlled commercial banks (National Bank, Emporiki Bank, Agrotiki Bank), the large private banks (Alpha Bank, Eurobank, Piraeus Bank) and the (partly) privatized state-owned utility corporations in telecommunications, electricity and water-sewerage sectors. Along with the relevant bibliography, the empirical evidence is based on original data and targeted interviews. The paper is structured as follows: In the first chapter (chapter A), the policy mix of privatization is analysed with reference to the implemented programmes and reforms. In the following chapter (chapter B), the paper presents the empirical findings on the social response to privatization, focusing on particular case studies of the banks and utilities privatization programmes. The main arguments and the conclusions of the paper are summarized in the closing chapter.

A. POLICIES & REFORMS

Since the late 1980s, the banking sector and public utilities have undergone major institutional and structural changes, in the direction of reducing state intervention and strengthening the role of the private sector. Privatization was a key-element of the broader programme of state reform³ that radically transformed the post war pattern of the Greek public sector. The initiated reforms were formulated and implemented through different policy programmes, measures and tools. Privatization was embedded in a relatively homogenous policy mix and to a certain extent followed a linear process of gradual adjustments. However, the comparative study of the two

³ Spanou C. (2008), State Reform in Greece: Responding to Old and New Challenges, *International Journal of Public Sector Management*, 21 (2), pp.155 ff.

sectors reveals particularities and differences in the way that the reforms affected the institutional response and the degree of structural adjustment of the banking and utilities sectors.

1. The Policy Mix

Privatization affected both the normative considerations of state intervention in the economy and the practical variables regarding the role and the function of the public sector. The legitimization discourse of the initiated reforms was based on the arguments of the external pressures and on the anticipated advantages of the private sector and the competitive market. At the same time, the concept of the ‘big’, ‘ineffective’ and ‘corrupted’ public sector, theoretically inspired by the *public choice* school of thought, served as a strong legitimizing factor for reducing government intervention in the economy. In particular, the rationale for the privatization decisions was based on a variety of interdependent variables that can be categorized in external constraints and in political, economic, ideological and legal/institutional factors⁴. The broader ideological context of privatization was formulated under the pressure of the neoliberal ideas, which were already spread in most European political and economic systems. Globalization and technological progress practically imposed new rules for market function that weakened the role of the nation states in terms of economic policy-making and regulation. What’s more, the rules of the EU single market and the EMU required more direct institutional and structural adjustments in the member states. Along with the above pressures, a strong underlying motive behind privatization decisions, especially in the case of the sale of shares of state-owned enterprises (SOE), was the anticipated revenues that would improve the fiscal imbalances.

Privatization was implemented through different programmes and policy instruments. The subsequent transformations affected the institutional structure of the banking and utilities sectors and the main actors of the policy arena. The reform process is summarized in Table 1, according to the adopted policy mix and the micro and macro effect of privatization. Regarding the transformations of the macro-level, privatization was implemented through the *liberalization* and *deregulation* of the banking system and utility markets. Additionally, the *globalization* and *Europeanization* pressures further supported and accelerated the reform process. As regards the micro-level transformations, privatization changed the ownership status of the banks and the utility corporations and, consequently, their mission, management and control rules. Those entities, which were largely controlled by the state, have undergone successive *restructuring* and *modernization* programmes, in view of their following *corporatization* and *de-nationalization*. In the banking sector, an additional

⁴ For the Banking Sector see Pagoulatos G. (1997), *Institutions and Public Policy Making: The Politics of Greek Banking Deregulation and Privatization*, Dissertation, St. Antony’s College, Oxford, p.22 ff. ; for public utilities see Lampropoulou M. (2011), *Reforming the Public Sector. Privatization, Public Interest and Citizens*, Dissertation, University of Athens, p.166 ff.

aspect of the reforms was the process of *mergers* and *acquisitions* among both state-owned and private banks.

Table 1.		
THE POLICY MIX OF PRIVATIZATION		
	BANKING SECTOR	PUBLIC UTILITIES
REFORMS & PRESSURES	IMPACT	
Liberalization -Deregulation	Market Structure Regulatory framework Credit-financial Institutions	Market Structure Regulatory framework
Corporatization	State controlled Banks	Utility Corporations (SOEs)
Modernization - Restructuring	State controlled Banks	Utility Corporations (SOEs)
Denationalization	State controlled Banks	Utility Corporations (SOEs)
Europeanization - Globalization	Institutional Environment Financial Markets Regulatory framework	Institutional Environment Utility Markets
Mergers & acquisitions	Market Structure Banks (Groups)	-

Overall, the measures comprising the privatization policy mix were initiated at a relatively *incremental* pace⁵. Accordingly, the institutional response took place on a middle-term basis. In the banking sector, the institutional adjustment began in the mid. 1980s, through the gradual abolishing of controls and regulations⁶. The deregulation preceded the privatization process, which was escalated in the early and mid 1990s. In the 1990s, a large part of the restrictions and regulations of the banking sector were lifted as a result of the incorporations of the EU directives into national law, and the private banks took precedence over state controlled ones. The first wave of mergers took place in the period 1998-2001 (1998-1999: National Bank - Ktimatiki Bank), while the period 2000-2004 is mostly characterized by the process of acquisitions of Greek banks by foreign (European) banking groups⁷. In the utilities sector, the shift from public to private began in the early 1990, when many utility corporations were (legally) excluded from the public sector, under the liberal agenda of the New Democracy government. However, privatization of utilities practically

⁵ Lindblom C.E. (1959), The Science of "Muddling Through", *Public Administration Review*, 19 (2), pp.79-88.

⁶ Bank of Greece (2000), *Governor's Annual Report for 1999*, Bank of Greece, Athens, p.261.

⁷ Banaka G. (2006), *The Greek Banking System*, Dissertation, University of Piraeus, p.92-96.

began in the mid.1990s, when the socialist party (PASOK) returned in power and put in place a wide programme of reforms for the modernization of the public sector. During the period 1996-2000, telecommunications, electricity and water enterprises were corporatized and partly denationalized through successive public offerings in the stock market. The liberalization of the utility markets began shortly after, also at a gradual pace.

From an (neo)institutional perspective, policy shifts (or ‘critical junctures’) occurred at distinctive points of the above process and boosted or accelerated the ongoing reforms. In the banking sector, the sale of the Ionian Bank was perceived as a ‘*significant policy signal*⁸’ regarding the changing role of the state. In the utilities sector, the starting point for the privatization, as well as for the opening of the utility markets to competition, was the corporatization of the Hellenic Telecommunications Organization in 1996, which served as a ‘pilot’ for the following privatizations. It must also be mentioned that the economic and financial crisis that Greece is undergoing for the past four years, placed privatization at the top of the political agenda, further accelerating the reforms in a most urgent and intensive way.

2. Institutional & Structural Changes

Privatization changed the balance between the public and the private sector in the banking system and public utilities, through parallel adjustments of the institutional, political and economic variables of. The changes can be categorized with reference to: (i) the rules, functions and organizational structure (ii) the role of the state and (iii) the impact of privatization on the users of the services.

(i) The institutionalization of the reform: structural and functional adjustments

The impact of privatization on the institutional environment of the banking and the utilities sectors can be generally described as a shift from the model of state-controlled monopolies/oligopolies to market-oriented areas of activity. Regarding the type of market organization, in the banking sector the protected, concentrated and highly regulated oligopoly of the 1980s, which was mostly consisted of state-controlled banks⁹, was gradually replaced by a less regulated and more open oligopoly, where private banks have the dominant role, but still is characterized by high concentration¹⁰. In the utilities sector, there are variations in the degree of market

⁸ OECD (1998), *OECD Economic Surveys: Greece*, p.87.

⁹ Pagoulatos G. (1996), Governing in a constrained environment: Policy making in the Greek banking deregulation and privatisation reform, *West European Politics*, 19:4, p.747-748 ; Melas K. (2013), *The History of the Greek Banking System: The Servant*, p. [http://www.scribd.com/doc/106935162/... (retrieved 17/02/2014)].

¹⁰ Bank of Greece (2002), *Governor's Annual Report 2001*, Bank of Greece, Athens, p.285 ff ; Pasiouras F., (2012), *Greek Banking: From The Pre-Euro Reforms to the Financial Crisis and Beyond*, Basingstoke: Palgrave Macmillan, p.1-2.

opening and competition. While all three cases under study were state monopolies until the mid. 1990s, the privatization shift responds to different levels of opening to competition. The telecommunications market gradually became a regulated market, with a small number of competing firms that penetrated in the share of the incumbent firm. In the case of electricity, very few private firms entered the market, mostly at the wholesale level, and despite the motives given for the private providers, the incumbent firm is still the most dominant actor in a highly concentrated market. In the water and sewerage sector, the structure of the market remained a pure monopoly and up to date, there are not any plans of liberalization. Along with the transformations in the structure of the market, the regulatory framework adjusted to the requirements of the single market, primarily aiming at the promotion of competition. However, both banking sector and utility markets remained highly concentrated after liberalization and deregulation.

The institutional response of the banks and the utility corporations to privatization mostly came as a result of the shift in the structure of property rights. The transition from state (direct or indirect) ownership to mixed or private entities affected the mission of these institutions, their management methods and the control mechanisms. Since banks and utility enterprises do no longer belong to the public sector, the goal of serving the public interest as key-feature of state-controlled entities was gradually replaced by the economic variables of profit maximization, in the logic of the private enterprise. Accordingly, management rules imposed the prioritization of economic performance, instead of the social concerns embedded in the mission of public sector. The corporatized and privatized firms are primarily accountable to their shareholders and, as S.A., they are subject to the rules of corporate governance, which substantially differ from the democratic control of the political system. As well, they can no longer be conceived as part of the political-administrative apparatus or be used as tools for distribution and social policies.

(ii) *The role of the state*

The policy process in the post-privatization circumstances is largely defined by the changing role of the state in the banking and utilities sectors. The retreat of government intervention could be generally described as a shift from the *positive* to the *regulatory* state¹¹. In particular, privatization changed the criteria, the procedures and the outcomes of policy-making. A major consequence of privatization was that the privatized entities that belonged to the public sector can no longer be used as instruments for implementing social, economic and industrial policies. As well, government is not allowed to intervene in the management of the privatized firms or defining the pricing and investments plans according to broader social and economic criteria. In this respect, the privatized corporations can not serve the public interest in

¹¹ Majone G. (1997), From the Positive to the Regulatory State: Causes and Consequences of Changes in the Mode of Governance, *Journal of Public Policy*, 17 (2), pp.139-167.

the sense that a public sector entity is considered to do in terms of public service, distribution, equity and social justice. For instance, the (former) Agrotiki Bank and the Hellenic Industrial Development Bank (ETBA) were largely used for the support of the agricultural and the industrial sector¹², granting loans at lower interest rates than those offered by commercial banks. As well, the Public Power Corporation provided special electricity tariffs for the industry, the farmers and vulnerable social groups.

Thus, while the state reserves the right to intervene in an indirect way in the privatized sectors, the type of public action does not respond to the concept of public policy in terms of a *positive* social and economic intervention. The direct rights of the state on banks and the utility corporations shifted from the type of political oversight to that of shareholder economic control. What's more, the mechanisms responsible for the formulation, monitoring and implementation of the privatization programme as a whole have changed. Several powers passed from the Ministry of Economy and Finance to the Interministerial Committee for Asset Restructuring and Privatisations (ICARP) and the Hellenic Republic Asset Development Fund (TAIPED).

A complementary aspect of state retreat and, in particular, of the weakening of the political role of the state in the privatized sectors, is the shift in the regulatory functions. Regulatory powers were transferred from the central government to intermediate administrative authorities, which enjoy a certain degree of independency from the political system. These institutions have the responsibility of monitoring and regulating the liberalized and deregulated markets. In the banking sector, the Bank of Greece is responsible for supervising credit institutions and, overall, for the stability of the Greek financial system. In the utilities sector, recently founded regulatory agencies oversee telecommunications and electricity markets¹³, mostly aiming at safeguarding and promoting competition. The above regulatory bodies are not subject to direct control by the government and their mission is rather technical, than political, that is to say to ensure that the criteria of competition and market stability are met. However, the informal ties with the political system remain strong and their autonomy is restricted by the fact that in most cases, the management members are appointed by the government.

(iii) *Implications for citizens as users/consumers*

Privatization affected the role of the citizens as end-users of the banking and utility services. Regarding the liberalization effect, after the abolishment of state monopolies and the loosening of the strict regulatory framework, users have more choice and can shift between different providers and services. In addition, the range of the available products and services became more personalized and targeted to special

¹² OECD (1998), *OECD Economic Surveys*, op.cit, p.90.

¹³ Respectively, the National Telecommunications and Post Commission (EETT) and the Regulatory Authority for Energy (RAE).

needs and preferences, gradually adjusting to market rules and techniques. At the same time, the relationship between the citizens and the privatized firms has become more commercially-oriented, since it is no longer intermediated by the state or other political-administrative institutions. The weakening of the political ties also means that the banks and the utility corporations can not be subject to the social control and participation procedures that apply to the public sector entities, for instance as it was in the 1980s through the *socialization* programme.

The rights of the citizens were accordingly adjusted to the rules of market transactions. The protection of users/consumers' was assigned to mediation bodies, usually in the form of Ombudsman¹⁴, and partly to the administrative regulatory authorities. Compared to the model of public ownership of banks and utilities, after privatization the rights of the users/consumers are of economic and commercial nature and mostly related to the technical and procedural aspects of the service provision, than to the socio-political sense of public service. Particularly regarding the utilities sector, the rules of the single market and the parallel Europeanization of the national institutions initiated a common framework, namely the *services of general (economic) interest*. In this context, the obligations of the utility corporations are defined in line with a minimum set of access, cost and service quality prerequisites, i.e. Universal Service and Public Service Obligations. These principles are further specified through Consumers' Charters and Codes and extrajudicial dispute resolution procedures. Overall, in the context of the liberalized/deregulated markets and the privatized banks and utility corporations, citizens tend to be conceived more as individual *consumers* than as collective *users*¹⁵.

3. Comparing the Banking and Utilities Sectors

The comparative study of the banking system and public utilities reform leads to varied findings regarding the structural and institutional impact of privatization. First, certain similarities arise with reference to the starting point of the privatization process. Until the late 1980s, both sectors were organized and functioning on the basis of highly regulated monopolies/oligopolies, where state-controlled banks and state-owned utility enterprises had the dominant role. The state was the central actor of the policy arena and both sectors were illustrating examples of the extensive post war state interventionism and the heavy statism (*'dirigiste'*¹⁶) attitude that was deeply embedded in every aspect of the state apparatus. As part of the wider public sector, the banks and the utility corporations served as policy instruments for implementing various social and economic public policies. Furthermore, they reflected the high

¹⁴ For instance, the Greek Ombudsman for the partially privatized public entities and the Banking Ombudsman and the Consumers' Ombudsman for the privatized banks and utilities.

¹⁵ Chevallier J. (1985), *Figures de l'Usager*, in: Draï R. (ed.), *Psychologie et Science Administrative*, PUF, CURAPP, Paris.

¹⁶ OECD (1998), *Economic Surveys*, op.cit, p.85.

politicization of public sector institutions, which in many cases served the goals and interests of particular pressure groups, instead of their statutory mission. From this last point largely derives the critique towards state involvement in the economy and the public ownership of banks and utilities, as a key argument of the pro privatization debate. The drawbacks of state intervention together with the anticipated positive effect of competition and the free market largely sketch the rationale for privatization decisions in the banking and utilities sectors. As well, the external constraints, namely the globalization and Europeanization pressures, served as an additional external supporting factor for the implementation of the reforms. The necessity of privatization was presented in technical/technocratic terms, with little ideological implications. Last, in both sectors, the reform process was initiated with delay, compared with other European countries, while it was largely characterized by incremental changes and transformations.

Taking a closer look at the process of policy formulation and implementation in the banking and public utilities sectors, important differences and variations arise. First, there was different timing of the initiation of the reform process, which began earlier in the banking sector than in public utilities. The type and the intensity of the privatization programmes also differ. The policy mix of privatization for the banking system was more radical and intensive, compared with public utilities, which undergone incremental transformations at a more gradual pace. As regards the succession of the reform stages, in the banking sector deregulation and liberalization preceded privatization, while in the utilities sector market liberalization followed the corporatization and privatization (denationalization) of the state owned enterprises.

Tracing the overall progress of the reforms in the two sectors, in the banking sector there has been larger scale adjustments than in the utilities. This is partly explained by the fact that the type of market organization and the structure of the property rights before privatization responded to different patterns. Public utilities were organized in the form of state monopolies, while the banking sector was a heavy regulated oligopoly dominated by state-controlled banks, namely the National Bank of Greece, Emporiki Bank and Agrotiki Bank. As for the property rights before privatization, in the case of the banks state ownership was indirect and/or partial, while in the utility corporations the state directly owned the capital of the enterprises. After liberalization and deregulation, the banking sector is characterized by higher degree of competition and abolishment of state property than the utility markets. In the telecommunications market, only a small number of private firms entered the market and in the medium term settled a relative stable oligopoly. The share of the state in the Hellenic Telecommunications Organization has shrunk to a 10% percentage. In contrast, in the electricity sector the market practically remains highly concentrated and non-competitive, while the 51% of the Public Power Corporation is still owned by the state. Despite the adjustment of the regulatory framework, the incumbent firm (PPC) preserves its monopolistic power, retaining a very high market

share. Regarding water services, the relative economic activities have not opened to competition, consequently the sector remains a closed state-regulated monopoly.

Further differences can be observed with reference to the normative and structural transformations of the sectors under study. As regards the normative dimensions, an important point of divergence is the different conceptualization of the public interest as part of the activity of the banking institutions and the utility corporations. Before privatization, in the banking sector, the public interest was not as a strong feature of either the services provided or the mission of the banks, compared with the mission of the utility corporations. After privatization, while in the latter case a minimum set of 'general interest' guarantees was provided, banking services and activities are considered of pure commercial nature, without particular reference to the public interest. Evidently, in both cases, corporate and social responsibility programmes are a quite inadequate response to the question of the possible negative social consequences of privatization. Regarding the institutional impact of privatization, another difference lies in the structure and function of the two sectors. Contrary to the banking sector, where functions remained largely integrated after the liberalization and deregulation, in the utility markets the unbundling of the networks/infrastructures and the production, distribution and provision activities was imposed as a result of the competition rules of the single market. However, the political influence of European institutions on banking and utilities sectors is more direct and intense in the first case, through the overseeing of the European Central Bank and its relation with the Bank of Greece.

As a last remark, we must point out the different interplay between the reform process and the impact of the current financial and economic crisis on the two sectors. While the crisis generally boosted the privatization programme, the direct effect and the negative implications of the crisis were more intense in the banking sector, where the scenario of systemic destabilization has become a permanent threat. On the contrary, the utility sectors seem to have been affected to a lesser extent by the economic crisis as regards the stability of the markets, as the adopted measures focused mostly on the fiscal effect of selling public property.

B. SOCIAL RESPONSES TO PRIVATIZATION

Privatization policies were encountered with criticisms and resistance by the social classes and groups they affected: workers, employees, unemployed and precariously employed, students, the elderly people as well as by the users of banks, public services and utilities. Neoliberal utopias were dystopias for those affected. In order to overcome potential labor unrest, the governing bodies of the EU implemented

the strategy of “social partnership” and in particular “social dialog”¹⁷. The social partners in their institutional roles would negotiate at both European and national levels with the purpose to impose social peace by exchanging employment for reducing labor costs. ¹⁸ The main body at both levels is the “Economic and Social Committee” (1/3 of its members represent employers, 1/3 represents workers and the other 1/3 represent various organized interests).

This strategy of incorporating the various social groups into the decision-making procedures could operate smoothly only in times of stability. In times of acute economic crisis this strategy encounters strong opposition by the victims of the crisis many of which were part of this system. The employers demand from the government more and harsher measures for reducing labor, social, and environmental costs. These demands are rejected by the majority of the working classes and strata. In Greece during the years of the troika (IMF, EU and ECB) that dictates policy to successive governments, the labor movement mounted many campaigns against the implementation of the austerity program. The requirements of this policy inscribed in the Memorandum imposed by the Troika were the implantation of a very strict austerity economic programme, the further deregulation of labor relations, and the privatization of public enterprises (banks, water, energy, telecommunications, ports, etc).

The majority of the unions’ officers who were mainly members and high-ranking executives of the governing party as well as those who were members of the then official opposition conservative party (New Democracy) prioritized “social dialogue” as their main strategic goal. This strategy is regarded by many trade unionists, not only from the traditional and radical left, at least as unsuccessful due to the aggressiveness of the government’s policy and the employers’ impatience for profitability not considering the needs of their employees. Typical of this employers’ aggressiveness is the president of the Hellenic Federation of Enterprises (SEV, Commercial and Industrial Companies) who in a frenzy of greed called the Minister of Labor to move more aggressively in implementing Troika’s proposals. After the double parliamentary elections during year 2012 the new coalition government (conservative New Democracy, social democratic PASOK, reformist Democratic Left) the implementation of the same policy was intensified and especially after the resignation of the Democratic Left from the government it became more aggressive and tough. The government introduces bills to the parliament demanding their passage

¹⁷Compston H. (2001) “Introduction” in Compston H. and Greenwood J. (eds) *Social Partnership in the European Union*. Basingstoke: Palgrave Macmillan, pp. 1-10; Dólvik J.E. and Greenwood J. (2001) “ETUC and European Social Partnership: a Third Turning-Point?” in Compston H. and Greenwood J. (eds) *Social Partnership in the European Union*. Basingstoke: Palgrave Macmillan, pp 11-40.

¹⁸ Branch A. Greenwood J. (2001) “European Employers: Social Partners?” in Compston H. and Greenwood J. (eds) *Social Partnership in the European Union*. Basingstoke: Palgrave Macmillan, pp. 41-70.

with fast-track procedures which means that there is enough time available for a thorough reading of the bill and democratic discussion and deliberation.¹⁹

(i) Banking Sector

Against these policies of neo-liberalization, privatization of public utilities and selling-off state-run companies various social mobilizations arise. The first mass reaction against privatizations came from the employees of Ionian and Popular Bank of Greece (ILTE) in 1998. Although almost all employees took part in the multi-day strike and a great number of the employees working in branches in Athens participated in the occupation of the bank's IT center premises the struggle was unsuccessful. This struggle was not connected with the whole banking sector's movement due to the correlation of forces in the second-degree union (OTOE-Greek Federation of Bank Employees Organizations) which was in favor of the modernizing fractions. OTOE did not cover the strike nor organize solidarity mobilizations. Moreover, it was an era that characterized by a mood of prosperity with the stock exchange index on the rise which means that the employees of the other banks were expecting to make a profit out of this situation. After the Greek stock market crisis in 1999 the mood changed and in 2001 the government was in defence. The bank employees and OTOE went on strike en masse and together with the Public Utilities and Civil Servant federations brought down the government's policy plan that would eventually lead to the privatization of the social security system. The last battles fought by bank employees unions were those of the personnel of Commercial Bank of Greece that was sold to the French Credit Agricole Group (2006, 2013 sold to Alpha Bank Group) and of the personnel of Agriculture Bank which was sold to the Piraeus Bank Group (2013). These battles were lost. The bank employees could not to the fore as they did so many times in the past and won (1979-80: 39-day strike against the introduction of flexible working hours, 1982: 42-day strike which established a single wage scale for all banks). Now the majority of the sector's trade unions are led by "employer-friendly" leaderships and save for the Central Bank of Greece all banks are private.

The people affected by privatizations of Greek state-run banks and at the same time by the austerity policies of the Memorandum and the neoliberal governments formed new groups and movements or/and joined existing consumer organizations such as EKPOIZO (Consumer Association for the Quality of Life)²⁰. The issue at stake for these groups at this stage is to prevent the banks from putting up in auction

¹⁹ This is not a uniquely Greek political "recipe". It is a political issue even in the US. See Roh Chip and Posner Ted (2014) "'Fast track' is a slow route to a trade deal". *Financial Time*. February 17, <http://www.ft.com/cms/s/0/65c402a2-97e1-11e3-ab60-00144feab7de.html#axzz2w7dXxJt4> Retrieved on 16/3/2014.

²⁰ The organization evolved from EPOIZO (Association for the Quality of Life). EPOIZO was also a non-governmental organization (NGO) with various environmental, social and cultural activities. Since 1988 the organization focused on consumer issues and changed its name EKPOIZO.

homes of property owners who bought them on loans and found themselves unable to meet their obligations due to the results of the crisis (lay-offs, unemployment, salary cuts etc). The Troika apparently puts pressure on the banks to start foreclosures and get rid of thousands of “bad loans” and real estate properties and mortgages

(ii) Electricity

The energy industry in Greece was dominated for more than half a century by the PPC (Public Power Corporation – DEI). PPC was created in August 1950 and it was given “monopoly status” for producing, transferring and distributing electric power. Before the establishment of PPC there were 385 power companies all over Greece; 58 of them were municipal and community-owned firms. Since 2011 transmission of high-voltage and very high-voltage electric current is within the competence of the Independent Power Transmission Operator (IPTO or ADMIE) S.A. while transferring and distribution of low-and medium- voltage electric current is within the competence of Hellenic Electricity Distribution Network Operator S.A. (HEDNO S.A.). The electricity market is gradually liberalized and new companies entered the market.

On Monday, March 10, 2014 the Ministry of Environment, Energy and Climate Change announced the introduction of a bill for consideration by the Parliament concerning the «splitting” of the PPC and the assignment of at least 30% of its current activities to private companies. On Monday, March 10, the Ministry submitted the bill to the procedure of deliberation. With this policy the government intends to create a “small PPC”, 100% subsidiary of the “parent” company (PPC) and afterwards to sell it to private firms following an international bidding. The government will transfer to the new company a “dowry”: lignite and natural gas power plants and hydroelectric dams accounting for 30% of the capacity of electricity and around 30% of the current customers, with the latter without being previously notified or having granted their consent.

During the 40-year period from the “metapolitefsi” (regime change from dictatorship to parliamentary democracy) in 1974 until today the workers’ federation in the energy sector has played a significant role in the recent history of the country’s trade unions. In the period of the crisis the General Personnel Federation of PPC (GENOP/DEI) resisted fiercely the wage policy of the Troika and the governments of this period despite the fact that the majority of its leadership was made of executives and members of PASOK’s trade union fraction (PASKE). Moreover, the Federation joined forces with the “indignados” and the “Can’t Pay-Don’t Pay” movements in a mobilization that had to do with the blocking of the printing of electricity bills. GENOP-DEI called the working people to fight collectively against the toll-tax and its payment through the electricity bills. When the PPC proceeds to cutting electricity to a house its members and the members of local groups restore electricity provision. Many families with unemployment members don’t have the money to pay the bills and face this penalty. In many cases the movement member intervene in order to

restore the provision while in some cases members of parliament protest against PPC's actions through both during question hours and with being present in protest events.

Now it is PPC's time to take the way of privatization, according to the government's declarations. The Governing Board of the General Personnel Federation of the Public Power Corporation (GENOP/DEI) in its extraordinary meeting held on the 14th of March 2014 discussed the issue of the government's plans to privatize the PPC and the Independent Power Transmission Operator (IPTO or ADMIE) S.A. as well as to split the PPC Group of Companies. According to the press release issued by the Press Office of GENOP, the Board decided to proceed to the following:

- To inform all social institutions (Regional and Local Governments, Citizens-Consumers Associations, Scientific Associations, Professional Chambers) across the country -and particularly in prefectures where there are PPC's facilities, factories and activities- on the negative consequences for the Greek society that will be caused by the Government's policies.
- To implement strike action
- To start repeated 48-hour strikes with the filing and beginning of the discussion of the bill at the competent Parliamentary Committee.
- To call for demonstrations and marches in selected geographical regions
- To arrange a press conference at the Federation's headquarters.
- To plan various events.
- To designate and promote the petition for a referendum on the issue: To operate Democracy in our country-The real owner (the Greek People) of the Public Property and therefore owner of the PPC must decide whether they want to sell the Public Power Corporation.

(iii) Water and Sewerage

Another major battlefield in the front of privatizations is that of public and municipal water supply and sewerage companies, such as the Athens Water Supply and Sewerage Company (EYDAP SA) and Thessaloniki Water Supply and Sewerage Company (EYATH SA), and others. In 1999 and 2001 respectively EYDAP and EYATH entered the stock market and in no time the first competitor –the French SUEZ water company -appeared in order to press in the direction of the privatization. Law 4046/2012 openly contains in the long list of public assets to be privatized the two biggest Greek water companies, both profitable: EYDAP and EYATH. Since this date a multi-actor social movement aroused against the threat of privatization of one of most essential element of human life, that is water. This is a relatively rare phenomenon in the recent social movement in Greece since the mobilizations started from independent citizens groupings that appealed successfully to workers, environmentalists, scientists, academics, teachers and students as well as artists. The main organizations developed contacts and collaborated closely with members of the

two unions and several other organizations in Greece and abroad. The international aspect of the movement helped the people to realize that this struggle could be victorious such as in the case of Berlin in Germany²¹ and Paris in France²², or in that of Cochabamba in Bolivia.²³

A whole constellation of groups joined forces in order to prevent the passage by municipal councils of decisions favouring the privatization of the water companies. One of the first citizen initiatives in Thessaloniki is the “Movement 136”. It aims at standing up against the privatization of EYATH and proposes the not-for-profit management of EYATH through cooperatives of users at neighborhood level. “Movement 136” has drafted a charter for the cooperatives creating thus the preconditions for the acquisition of the company by the citizens themselves in the case that the government proceeds to the sale of EYATH. “SOSte to Nero”(Save the Water” is an anti-privatization front in Northern Greece which collects signatures on petitions against the privatization of water companies and organizes outdoor events and happenings such as rallies and demonstrations. Another group called “SaveGreekWater” initiated its actions in July 2012 aiming at informing public opinion and at interconnecting agencies, groups and citizens who “*challenge the right of a private firm to have under its control a public good which is necessary for the survival of humans, plants, and animals*”; it also aims at raising the public’s consciousness on the issue of careful management of the water supply system for private and agricultural usage. The organization’s finances depend on the members and on crowdsourcing. This venture consists of citizen from various professional and political backgrounds who consent to the rational use of this natural resource. The group stresses the point that privatization is primarily an issue of democracy: “...*if we cannot control the water supply system we cannot really control anything.*” A special group of the organization is the artist team whose members direct, produce and act in video clips (mainly satirical ones) passed around and spread through the social media such as facebook, twitter, blogs and other internet sites. “Watervolo” is another ecological group protecting the springs at the beautiful Pelion Mountain from industrialization and resisting privatization of municipal water company the city of Volos. Moreover, the labor unions of this industry were from beginning members of this coalition of movements against privatizations; even the conservative unionists

²¹ Beveridge Ross, Hüesker Frank Naumann Matthias (2014) “From post-politics to a politics of possibility? Unravelling the privatization of the Berlin Water Company”, *Geoforum* Volume 51, January, pp. 66–74.

²² Le Strat A., «Paris: Comment une Collectivité Peut Reprendre en Main la Gestion de l’Eau», in: O. Hoedeman, S. Kishimoto (ed.), *L’Eau, un Bien Public. Alternatives Democratiques à la Privatisation de l’Eau dans le Monde Entier*, Editions Charles Léopold Mayer, Paris 2010, σ. 117-126.

²³ Olivera Oscar (2004) *Cochabamba!: water war in Bolivia*. Cambridge, MA:South End Press; Assies Willem 2003 “David versus Goliath in Cochabamba Water Rights, Neoliberalism, and the Revival of Social Protest in Bolivia”. *Latin American Perspectives*, Vol. 30, no. 3, May, pp. 14-36.

who are members of the government party (New Democracy) are resisting this policy.²⁴

Conclusions

This paper explored the process of privatization of the banking sector and public utilities in Greece during the period 1991-2014. We focused on the policy mix of the reforms, as well as on the social responses to privatization. Privatization was conceptualized as a set of interrelated methods and tools that have redefined the boundary between the public and the private sector, in favor of the latter. In Greece, privatizations were initiated in the early 1990, signifying a major policy shift regarding the social and economic role of the state. The policy mix included the liberalization/deregulation of the banking system and utilities markets and the restructuring, modernization, corporatization and de-nationalization of the banks and the utility corporations. Along with this process, globalization, Europeanization and the current economic crisis were crucial accelerators of the privatization programmes.

The shift from state to market has been expressed through a series of institutional and structural changes. First, privatization directly affected the structure and function of the banking and the utilities sectors. This was technically expressed as a transition from the close and highly regulated state monopolies/oligopolies to competitive markets. In addition, the ownership, management and control of the state-owned and/or state-controlled banks and utility corporations have changed. The privatized entities are no longer subject to the political oversight of government, while the scope and means of state intervention have been constrained in the sphere of economic regulation. As well, these entities can not be used as policy tools for implementing social, economic or industrial policies. Last, privatization changed the role of the citizens as users of the banking and utility services, placing them closer to the concept of rational individual consumer.

Despite the common political and economic denominator of the reforms, the comparative study of the two sectors revealed various differences regarding the impact of privatization. On the one hand, similarities were found in the overall policy mix and the legitimizing discourse of the reforms, as well as on the generally gradual pace of the implementation process. On the other hand, the particular succession of the policy mix elements, the volume and the progress of the reforms significantly differ between the two cases. In the banking sector, liberalization/deregulation preceded privatization (de-nationalization) and the reform appears more intense and radical than in the utilities sector, which has been reformed through more incremental changes. Accordingly, the evidence on the progress of the reforms shows that the

²⁴ On the occasion of the International Day of Water on March 22, 2014, the conservative general secretary of the EYDAP union issued a press release stating the union's rejection of the privatization of the company; see http://syllergeydap.blogspot.gr/2014/03/22_22.html.

banking system is more privatized compared with the utility markets. However, in both cases, the structure of the markets remains oligopolistic and highly concentrated, which strongly contests one of the main arguments of the liberalization effect, that is to say the advantages of competition. The electricity market is considered an illustrative example of policy failure regarding both privatization and liberalization, while government still intervenes in the function of the (partly) privatized firms and the regulatory agencies.

The differences that characterize the social reactions to the process of privatization in Greece have to do with the structural differences of the liberalized markets and privatized companies as well as with the strategies and the historicity of the actors and the organizations. The banking sector's unions fought hard against privatization in the beginning but later they bargained with their new employers for smooth transition to the new conditions. On the side of users only recently a movement emerged combatting the consequences of the crisis (auctions). In the case of energy sector the unions are reacting with militancy to the recent announcement of the plans for further liberation of the sector and privatization of the PPC through its splitting to two competing firms. In the water and sewerage sector both the unions and the citizens' groups have launched a multi-form, pluralistic movement which consists of independent militant, activist and reform-oriented policy groups.