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Privatisation of Public Assets; A Way to a More Competitive Economy or an exercise to Orwellian Doublespeak

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Since 2010 the European Commission, the IMF and the Greek and European economic and political elites with the theoretical backing of the neoliberal ideologues have imposed a cruel internal devaluation on the Greek nation that has generated an economic collapse of the Greek economy unlike any seen in Europe since WWII. This misanthropic austerity demands cuts in wages and pensions, increases in taxation, total relaxation of any collective agreement, redundancies for public sector employees and severe cuts in funding for an already underfunded health system.

This agendum of internal devaluation is supplemented with a programme of sale of public assets via privatisation programmes. The neoliberal dogma argues that this 'structural reform' aims at 'reducing the government's deficit and debt' and to induce 'competitiveness'. Orwell would have been impressed by this exercise of doublespeak.

Classical thinkers such as Adam Smith and John Stuart Mill viewed State assets such as ports, water, electricity, railway companies, the hospitals and the universities as entities, which are not supposed to operate for profit but rather to establish an infrastructure in the country conducive to providing a stable and low cost environment for all citizens and the business world, within which they could pursue their interests. Public investment and ownership is viewed by the classical thinkers as minimising the economy's cost structure and protecting the citizens and business alike from rent-extracting that private monopolies build into the price of public goods such as water, roads, transportation, electric power, communications and other basic public goods. As A. Smith put it

> "*The duty of the sovereign or commonwealth is that of erecting and maintaining those public institutions and those public works, which, though they may be in the highest degree advantageous to a great society, are, however, of such a nature that the profit could never repay the expense to any individual or small number of individuals, and which it therefore cannot be expected that any individual or small number of individuals should erect or maintain*".

Thus

> "*The expense of maintaining good roads and communications is, no doubt, beneficial to the whole society, and may, therefore, without any injustice be defrayed by the general contribution of the whole society*"[1[1]].

Contrary to Smith's position, the neoliberal policy recommendations for wholesale privatisation of public assets not only negates the vital purpose of public investment in providing a stable and low cost environment for all citizens and the business world but in addition introduces monopoly power in the market since most of State assets are to significant degree natural monopolies. It is well known that private monopolies are detrimental to market functioning as monopolists set whatever price the market can bear. This charged price has normally no relation to the cost of producing the product or service but it is an extortionate pricing aimed at the extraction of maximum monopoly rent.

Furthermore, it is a usual practice for the monopolists not to use their own capital to buy the State asset but instead, in an era of low interest rates, borrow from the banks. In doing so they pass the resulting interest payments of the agreed loan to customers with a predictable effect on the price that the public pays for the product or service. Privatisation, in effect, turns the public services into a tollbooth operation by monopolists. This increases the costs of doing business to the business community in the country and it raises the cost of living for the citizens of the country. This, in turn, reduces competitiveness.

Furthermore, when a country sells its assets, its net worth is decreased with long term consequences. Importantly the country not only does not own the asset but also forgoes any yields arising from its ownership. In effect, the sale of public assets results in increases in the government's cost outlays when the state is forced to buy back - usually in prices that include monopoly rent - the services or goods that the forgone asset provided. Both the above effects act against the alleged aim of privatisation which is to reduce the government deficit. Hence, it further restricts the ability of the government to pursue any meaningful economic policy.

It is noteworthy, that if the purchaser of the public asset is a not a private interests entity but a foreign public company or entity, privatisation acts as a medium of transferring both the public asset and the resultant income including the monopoly rent to a foreign public sector.

Contrary to the neoclassical dogma, privatisation is counterproductive to any effort towards economic recovery as both it decreases the competitiveness of the economy and deprives the government from vital revenues that could potentially be used for enhancing economic activity. Indeed, Orwell would have been impressed by the neoliberal doublespeak.

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[1] A. Smith (1776) An Inquiry into the Nature and Causes of the Wealth of Nations, Book V.