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Public Utilities Reform in Greece: Privatization, Market Liberalization and Implications for Citizens as Consumers”

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Abstract

Privatization and liberalization are the two complementary aspects of several reform projects in the field of public utilities. In Greece, since the middle 90's, the telecommunications sector has undergone radical changes, responding to the new requirements of a market-oriented model, gradually introducing the privatization of the Hellenic Telecommunications Organization (OTE) and the opening of the state monopoly. An often neglected aspect of the reform is the implications for citizens as consumers. More "choice", better quality and lower prices have been usually invoked as illustrations of the beneficial effects, under the general hypothesis of better performance. However, the "shift" is more intricate than the assumptions that a micro-economic perspective suggests. This paper argues that the "citizen/consumer empowerment" is not a self-evident proposition of privatization or liberalization policy. It also proposes that the concept of citizens as consumers implies a selective –thus restricted- approach of the eventual benefit. The aim of the paper is to highlight the constraints and the pre-conditions of the "empowerment" argument, as well as to reveal potential asymmetries in terms of cost/benefit allocation of the reform outcomes.

Key words: *Privatization, liberalization, public utilities reform, telecommunications sector, citizen/consumer empowerment.*

Introduction

Market liberalization and privatization of public enterprises constitute two complementary aspects of a major reform effort in Greece. They correspond to a "modernization" and "Europeanization" project that includes the reversal of the traditionally heavy presence of the state in the economy in the field of Services of General Economic Interest (SGEI). Focal point and legitimizing argument of the corresponding initiatives is the improvement of the performance both at the macro-level (market competition) and the micro-level (privatized enterprises functions). Economic values, such as efficiency and effectiveness, lie at the core of the relevant discourse¹. The suggested "paradigm shift"

¹ The approach of the paper is not an economic one. The selective use of economic/managerial terms corresponds to the different concepts of performance. Epigrammatically we note that *effectiveness* refers to

towards the free market promises to enhance performance not only from the aspect of the operational and the market/economy function but also in terms of final outputs for users, and further, higher user satisfaction.

The following analysis seeks to explore the validity of the '*better performance*' argument by looking into the case of telecommunications². It aims to assess the effect as well as the relative significance of the two co-related policies (market liberalization – privatization of OTE³) from a citizens' point of view. The "*empowerment*" of the users is a crucial variable and a tenaciously invoked argument of the reform agenda. A starting point is that citizens as users occupy the weak side of the relation with telecommunications corporations. Though this seems to be accepted in the face of a state monopoly, it is not readily accepted when it comes to a liberalized market. A key research question refers thus to the potential benefit that privatization and market liberalization entails for the users of telecommunications services. The notion of 'benefit' is defined in an inclusive way, combining both micro-level criteria (such as service quality, price, responsiveness and choice) and macro-level concerns (such as public interest, equity, universality, transparency and economic and social cohesion).

The perspective we adopt aspires to shed light on a rather neglected aspect of the privatization and liberalization process, beyond – though not detached to- the usually employed indicators of economic performance. It is argued that the public utilities reform implies certain political and ideological shifts. What is at stake is the wider framework of the transformation pattern of the triangular relation "*state – (public or private) corporation – citizen as user or consumer*". Under the pressures of new sociopolitical and economic priorities, the notion of public interest has been strongly contested and to a certain extent redefined through the European policy prism. This paper combines theoretical argumentation with available empirical data and focuses on *a*) the redefinition of the role of citizens as consumers with regard to new rights and possibilities and *b*) the evolution of (new) modes of protection and regulation that arise within the market-oriented model. Both imply a re-conceptualization and a re-arrangement of the accountability and legitimization criteria within the state – OTE – citizens relation framework.

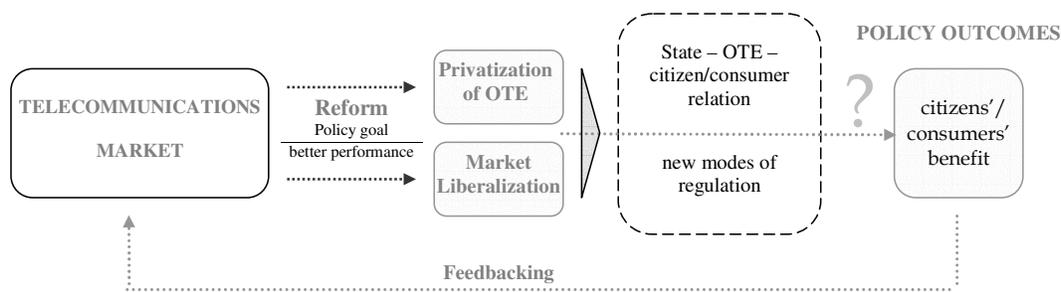
The paper is organized in two sections: First we outline the main features of the pre-privatization and pre-liberalization period. The emphasis is on the dysfunctional aspects of the triangular relation concerning the citizens' interest. The notion of the "*user*" is employed in order to highlight the specific characteristics of the later within the telecommunications domain. We next question the reaction of the reform project towards the detected problems. With reference to the citizens, a more consumerist model seems to gain ground. The promising rhetoric and the correspondence between anticipated and actual results are examined and evaluated both from a theoretical and practical point of view. The paper concludes with some thoughts on the allocation of potential costs and benefits in a "winners/losers" perspective. Certain assumptions of the new-institutional theory are employed as analytical tools, though not in an absolute way. Complementary methodological approaches and ad hoc readings help to further establish the arguments of the analysis.

the extent to which objectives have been achieved, *efficiency* to the inputs/outputs relationship and *economy* to the minimization of the cost for given quality standards. This distinction is not always clear in the political science literature.

² What interests principally are the fixed phone services (basic services), and at a lower degree the mobile and internet services. The former refers to the previously monopolistic market that has been reformed on the hypothesis of better performance. It is thus a better measure to assess the impact of the privatization and liberalization on the users of these services.

³ Hellenic Telecommunications Organization.

Analysis Framework – Working Hypothesis



1. The Starting Point: the State Intervention in Retrospect

The debate on the scope and the limits of state interventionism is not a new one. Answer seems to be following a pendulum route across the political and economic conjuncture. In brief, the rationale of public action has been historically based on a twofold argument concerning the role of the state on one hand and that of the market on the other. From the point of view of the ‘*market failure*’ argument, the intervention of the state has been perceived as the “alternative remedy”, either to the incapability or to the unwillingness (lack of incentives) of the market mechanisms to undertake certain fundamental functions. From a parallel point of view, the state intervention responds to a call for positive action. Its basic mission is to ensure the provision of certain goods and services considered as vital for the well-being of the people. The notion of *public interest* resumes the logic and assures the legitimacy of public intervention. The justification basis comprises both hypotheses of ideological and sociopolitical nature (*public service theory*⁴) as well as arguments of economic origins (*welfare economics*⁵ and *public interest theories*⁶).

Public networks industries were created and developed in line with these considerations and the particular requirements of the historical circumstances. The post-war “*Keynesian consensus*” depicted a model of state-economy relations where the interventionist and regulatory role of the former met the general approval. Public utilities (water, gas, electricity, communications, transportation, postal services) have been organized in vertically integrated national monopolies with specific characteristics⁷. The most striking one is the dual nature of the enterprises: on the one hand the ‘*public*’ element (salient social-political mission) and on the other the ‘*entrepreneurial*’ aspect (economic –

⁴ The theory of *public service* refers to a particular model concerning the role of the state and it has been inspired to a large extent from the French tradition (*service public*). According to its guiding principals, the state undertakes certain activities in order to assure the proper function of the economy in line with social and political priorities. Sociopolitical values (such as public interest, solidarity, social cohesion, accountability) and special principals (equity, mutability, continuity) shape its strongly ideological and symbolic basis and justify the legitimacy of the state action (Chevallier 1975, 2005). The scope of the former goes beyond the economic rationale (Spiliotopoulos 1985: 530).

⁵ The assumptions of *Welfare Economics* technically justify the market failure and provide reasons for the state action (Stigler 1975 ; Sappington and Stiglitz 1987: 568-569 ; Stiglitz 1992: 106- 116, 231-238).

⁶ *Public Interest Theories* focus mainly on the regulatory role of the state, proposing that the governments, as agents of the public, seek the maximization of social welfare. This goal is reflected on certain social welfare functions and concerns of equal redistribution (Vickers & Yarrow 1988: 27-29). It evidently refers to a more indirect type of state intervention than the *public service* model. Its hypotheses are closely related to those of *Welfare Economics* and the *Economic theory of Regulation* (Stigler 1971).

⁷ For an in-depth analysis of the characteristics of public enterprises in the initial phase of their existence, see “*Les Entreprises du Secteur Public dans le pays de la Communauté Européenne*”, Institute Européen d’ Administration Public, Bruxelles 1985.

commercial ends)⁸. The social welfare (public interest) goals reflect the wider socio-political character of public enterprises. Hence, a complementary term, that of “*political firms/enterprises*”⁹, has been often employed.

The public network services in Greece were formed and developed during the post war period (“*developmental wave*”¹⁰). The large-scale industrial activities were vertically integrated in domestic monopolies under a tight regulatory regime of state control. Their mission was the provision of essential services, pursuing economic and social ends. Services were supplied on a non – competitive basis, while the pricing policy did not reflect the actual cost but it was generally formed through a mechanism of ‘internal redistribution’ among the users (*cross – subsidization*). Social and political concerns were a central feature the enterprises’ action.

These were also the characteristics of the telecommunications market, since the Hellenic Telecommunications Organism (OTE) was founded as a state monopoly in 1949. The legal framework explicitly declared the social welfare character of OTE, a state-owned joint-stock company “*at the service of the public*”¹¹. Given the two main types of reference, the Anglo-Saxon *public utilities* and the French *public service*¹², OTE could be classified somewhere in the middle of the spectrum between the two notions, perhaps closer to the public service model¹³. The nature of the property rights (public ownership) in conjunction with the public interest mission implies certain particularities. A central feature refers to the relation between OTE and the citizens, which was largely subjected to the mediation of the political system.

Public interest and the citizens as “users”

The recognition of the special mission of public enterprises implies a differentiated approach than that of a commercial enterprise. The *public utility* concern has been explicitly expressed by the partial detachment from the rules of the market and the undertaking of these activities by the public sector. The nature of public utilities requires the (partial) “*de-commodification*” (Esping-Andersen 1990) of the services provided, on the basis of equal access and independently of free market forces. The public monopoly scheme and the direct state control (Spiliotopoulos 1985) assure the equal treatment in terms of quality, price and provision. Citizens’ needs are conceived and met in a collective and homogenous way. The policy context practically corresponds to a redistribution model (Lowi 1964).

The concept of the public interest serves as the ideological and legitimizing cornerstone of state intervention. In fact, it implies a specific role for the state and a particular model of state – society relations. Public action is justified on the assumption of a benevolent state that strives for the public good (Chevallier 2000: 32). Public enterprises are the state’s “*agents*” (Spiliotopoulos 1985: 538) and thus the government is “*indirectly responsible*” for their performance (Letwin 1988: 29). In this scheme, the state is the main decision-making

⁸ The potential contradiction between the two missions is rather evident and the equilibrium of that mixed character is often difficult to discern. However, the particular hierarchization of the two elements could constitute a crucial indicator of the bilateral priorities, especially when the ‘mix’ change in favor of the latter, as it seems to be the case in the privatization.

⁹ De Alessi 1980: 31-32 ; Papoulias 2007: 193, 199.

¹⁰ Pagoulatos 2005: 359.

¹¹ Legislative decree 1049/1949, art.12 ; 165/1973.

¹² See Stoffaès 1995 ; Rouban 2000: 16-17.

¹³ This classification can be justified with reference to the rhetoric and the content of legislative acts in the early years of OTE. However, it has been argued that, in general, the creation of the Greek public enterprises was mostly the result of circumstantial and incidental factors than the crystallization of a concrete ideology for the role of the state in the economy (comparable for example to that of the French model) (Teitgen-Colly 1985: 204-205).

actor and the 'intermediary' between enterprises and users. The submission of management to the state's control constitutes the connecting bond between the citizens and the public enterprise (Le Masne 2003: 13). As well, the citizens are far from a purely market-consumer model. The triangular relation integrates certain social and political features of a '*citizenship perspective*'¹⁴, which could theoretically correspond to the model of "*user*" of public utilities¹⁵.

That is in general the model of the *state – OTE – citizens* relation in the pre-privatization and pre-liberalization period. The public interest character of the Organization subjects the management to the direct or indirect government oversight¹⁶ and to procedures of parliamentary control¹⁷. Under these circumstances, the *citizens-OTE* relation refers to a pattern of indirect communication mediated by the state. User representation is ensured through the trade unions, the *Shareholders' Committee* and the "*socialization*" initiative. The latter aimed at a more direct control on behalf of society ("*social control*")¹⁸.

The *citizens - OTE - state* relation in question

With reference to the typology of Le Grand (1997), the nature of the relationship between the public enterprise and the users is theoretically similar to that of "*knights*" (a benevolent-altruistic state) and "*pawns*" (passive recipients). The latter have little chance to intervene directly in the decision-making processes. There is no "*exit*" possibilities and the main "*voice*" option (Hirschmann 1970) is the ballot option. As already mentioned, public interest is ideally expressed via the government programs, implying an indirect representation of the needs and wants of the citizens.

However, in practice, these assumptions do not seem to be always the case. The hypothesis of the public interest as a (quasi) self-evident feature of state's action has been strongly contested both in theory and in facts. The *public choice school* (Niskanen 1975 ; Mueller 1976 ; Buchanan and Tollison 1972) as well as the theories of *rent – seeking* (Krueger 1974 ; Tullock 1993 ; Tollison 1997) and rational *neo-institutionalism* (March & Olsen 1984 ; Hall and Taylor 1996 ; Peters 1999) suggest that there are no benevolent motives and that actors decide rather on the basis of self-interest evaluations. It is within this context that "*vote-maximizing legislators/politicians*" and "*utility/budget-maximizing bureaucrats*" (Niskanen 1975 ; Vickers and Right 1989: 6) disorientate public enterprises from their general interest mission. Principal-agent problems and transaction costs also arise when the delegation of an activity provokes asymmetries in terms of sources and information (Sappington and Stiglitz 1987 ; Vickers and Yarrow 1988: 7-11). The imperfections of the "*political control market*" and the electing-monitoring procedures create further problems of public control and representation (Yarrow 1986: 303 ; Vickers and Yarrow 1988: 31).

¹⁴ For the definitions and the particular context of the tree-fold categorization (civil, political, social rights), see Marshall 1992.

¹⁵ In proportion to the notion of the "*user of public services*" (for a comprehensive analysis, see Spanou 2000: 376-442).

¹⁶ Ensured typically by the Minister of Finance and the Minister of Communications and Transportations

¹⁷ Indirectly (via the Minister), regularly via the Committee of Public Enterprises, Banks and Welfare Organisms and ad hoc via the process of parliamentary control.

¹⁸ Law 1365/1983. According to the pre-electoral program of PASOK (1981), the socialization of the Greek public enterprises aimed at the strengthening of the public control and their democratic function as well as at the (re)orientation of the management towards the public utility mission (Teitgen-Colly 1985: 210-211). The social 'stakeholders' were conceived in that case as the "*representatives of the users*" (see: OTE: Operational Plan 1996 – 2000, p.9). However, the new administrative and control mechanism (ASKE) encountered serious functional and political obstacles that gradually demoted its status (see Ministry of National Economy: *Conference on Socialization*, Athens 1987 and Anastopoulos 1987: 128-129 ; Papoulias 1994: 113-114).

Along with these considerations, the risk of marginalization and degradation of citizen's interest is rather evident. In Greece, the public enterprises often deviated from the public interest mission. The emphasis was put on the fulfillment of particular interests from the point of view of (corrupt) government officials, manipulated and self-interest management members, powerful economic groups, trade unions and anyhow, not of the users' interest, that is to say the *general interest*. The constant and intense unofficial government interventions have led OTE as other public enterprises to a high degree of politicization¹⁹. In many cases particular interests, usually corresponding to well organized rent - seeking coalitions, acquired profit ("*rents*") at the expense of public/collective interest (Pelagidis 2005). The motives and the priorities within this context were hardly in line with public service concerns. They have thus heavily twisted the grounds of the public interest mission and the legitimacy of the corresponding policies. In policy terms, it could be argued that in line with the typology of Lowi (1964), the "*redistributional*" character of public policy in the field of telecommunications tends to diverge into a rather "*distributional*" context. To put it briefly, the function of the triangular relation does not correspond to a *citizens'-interest-oriented* scheme.

Secondly, the perverse function of the political control chain intensified the innate failures and the excesses of a monopolistic market and a large-scale bureaucratic organization. OTE was and still is an extremely powerful organization and one of the larger Greek enterprises. The structure of the telecommunications sector, organized on the basis of the ultimately dominant position of the public operator, further illustrate the power asymmetry. Lack of "*choice*" and "*exit*" possibilities, the users had no alternative and they were to a certain degree "*captured*" by the powerful enterprise. Besides, in terms of social participation, neither direct contact nor the '*socialization*' experiment managed to assure significant active involvement, efficient social control or wide representation on behalf of the users in the decision-making process ("*voice*"). The organization problems of the uncoordinated and dispersed group of consumers²⁰ further narrowed the possibilities of reaction or confrontation. In case of dispute the available options were limited to the "citizens' bureaus" and the civil courts²¹.

The imbalanced relation is further evident with reference to the "introvert" function of the public operator. In the pre-privatization and pre-liberalization period, OTE appears quite "*unresponsive*" to the needs and expectations of the subscribers²². As other state-owned organizations, OTE could be characterized as a more or less close ("*self-referential*") system (Tsoukas and Papoulias 2004: 89-92), where there was very little concern or feedback about the satisfaction of the recipients for its outcomes²³. The flexibility deficit partly explains the corresponding weaknesses. The terms and the conditions of provision are unilaterally defined and comprise a minimum set of rights and obligations of mostly procedural nature²⁴. In fact, the decision-making scheme was far from any direct '*bottom-*

¹⁹ The high degree of politicization of the public organizations is a common theme in analyses of Greek public sector. See for example: Teitgen-Colly 1985: 218-228 ; Giannitsis 1994: 16-19 ; Lioukas and Papoulias 1995: 180-83 ; Sotiropoulos 2001 ; Tsoukas & Papoulias 2004: 84-86 ; Papoulias 2007: 66-67, 81-82 ; Mouzelis 2005 ; Spanou 2008: 156.

²⁰ For an in depth analysis of the determinants of collective action, see Olson, 1965. For the difficulties of collective representation of the users, see also Spanou, 2000: 431-441.

²¹ Whatever the result, that kind of interaction usually referred to minor issues and *ad hoc* arrangements.

²² The "*unresponsiveness*" constitutes a central feature of the criticism referred to the "old-style welfare bureaucracies" (Le Grand and Bartlett 1993: 15).

²³ Only in the early '90s certain initiatives showed a shift in that attitude: the Five-Year Development program (1994-1999) and the next period Operational Plan (1996-2000) included plans for the amelioration of service quality and the measurement of citizens' satisfaction via a system of performance indicators. Moreover, certain consumers' surveys concerning the quality of the telecommunication services are published in the early '90, which comprise a specific set of quality standards.

²⁴ Apart from the legislative framework, see also Lymperopoulos N. (1980), *Urban Telephony: Rights – Obligations, Subscriber – OTE, Procedures*, OTE-Athens.

up' participation, implying a quite passive/submissive role for the users. The discredit or absence of a customer-oriented policy could be additionally justified with reference to the (low/medium) quality of the services as well as on the perceptions of the users concerning the 'public image' of OTE²⁵. It was thus time to re-structure the organism on a more socially and economically efficient base.

2. The 'Paradigm Shift'

The apparent 'failure' (or anyhow 'optimum-deviation') of the public model to achieve the required results along with the effect of certain political, economic and technological evolutions have caused strong pressures for the reform of public enterprises. The escalating criticism had practically led to a radical revision of the role and the limits of state intervention. In the early '90s, the shift to the private market, which was already a reality in many other European countries, was considered more or less a one-way option²⁶. Privatization, liberalization and de-regulation have become high-priorities on the policy agenda. A brief review of the facts is necessary in order to outline the main features of the reform. The focus is on the anticipated benefits for the users of the telecommunication services (and not on a general review of the eventual positive outcomes).

Pressures and constraints: an inevitable reform?

The pressures and the causes that lead governments to privatization or liberalization decisions do not correspond to an homogenous and coherent ensemble of determinants. An epigrammatic classification includes a great range of reasons and ambitions that vary across the ideological, social, political, economic, institutional, historical and technological spectrum. Concerning the privatization rationale, the need for better performance is the core-argument (Beesley and Littlechild 1986 ; Savas 1987 ; Letwin 1988: 32-34 ; Bishop and Thompson 1994). Ideological, economic, managerial, political and financial motives also have a role to play (Vickers and Wright 1989: 5-9 ; Pagoulatos 2005: 360-363). With reference to the abolition of state monopolies and the de-regulation pressures, globalization of the trade, technological changes, market evolution and external pressures²⁷ give reason for the complementary aspect of the reform. The anticipated positive effect of competition is also a central argument.

While apparently relative in context, the intensity and the influence of these factors are not of the same degree. Concerning for example the privatization decision, there was not any direct internal or external obligation. On the contrary, the liberalization of telecommunications market has been an evident and quite pressing feature of the European integration policy. However, it is interesting to note that in Greece an "inverse evolution" took place. The privatizing process of the Hellenic Telecommunications Organism was initiated before liberalizing the market²⁸. Though the two programs cannot be regarded disjointedly, the implementation timing could imply an unspoken hierarchization of the corresponding policy priorities²⁹.

²⁵ See OTE: Operational Plan 1996 – 2000, p.48-50.

²⁶ Hence the consensus of the two dominant political parties on the liberalization of the telecommunications market and the privatization of OTE (see Parliament Minutes OH/19.2.1996, Π/21.2.1996).

²⁷ See for instance the IMF reports, OECD recommendations, EU competition law and single market integration, *etc.*

²⁸ First public offer: 1996, market liberalization: 2001.

²⁹ It has been suggested that the EU liberalization agenda worked in fact as a legitimizing or great supporting factor for the associated privatization project (Featherstone 2005: 232 ; Pagoulatos 2005). Thus, the necessity of the later was not quite evident if dissociated from the European liberalization obligations. Still it cannot be denied that an indirect pressure has been more or less exerted to the direction of the ownership status (Parker, 1998: 43).

Additionally to the *top-down* pressures and the varying objective and subjective motives of the governments, a wider claim for reform has been gradually emerged across the public sphere. From the citizens' point of view, the longstanding inefficiency of public sector had created a rather negative -or at least "*unflattering*" (Vickers and Wright 1989: 12)- public image of the state-owned industries. A *bottom – up* criticism of the public enterprises pointed out inefficacy questions and reproved their massive character. They were also accused of being unable to adapt and to respond to the needs of the users. New needs and new demands have led to the emergence of a new consumer attitude, more aware and demanding than the previous passive model (Stoffaës 1995: 14-15, 22, 134-138 ; Bauby 2002: 47 ; Baumstark 2002: 61)³⁰.

Rhetoric & anticipated outcomes

Both at a theoretical level and in the rhetoric of the reform agenda the '*citizen/consumer empowerment*' has been employed as a central argument. This goal was part of the wider claim for *better performance* that would result in multiple positive effects, among others in the higher profit of end-users. Consumer interest is thus one of the legitimating arguments of the corresponding policies. We next consider the liberalization and privatization rhetoric from that point of view. We should however bear in mind that the decisions might imply additional motives, often in direct contrast to the official argumentation³¹.

a.) (neo)liberal and managerial ideas

Apart from the objective criteria, such as the decline of 'natural monopoly' elements and the effect of technological evolution, the '*less-state*' argumentation embodies strong theoretical and ideological propositions. In brief, the criticism of the (neo)liberal theory and the relative schools of economic thought³² focus attention on the weakness or incapability of public sector to reach an efficient allocation level ("*failure of the state*"). From a complementary point of view, state intervention further distorts and hinders the efficient function of the market. By contrast, free market forces guarantee better allocation of resources and greater effectiveness, both at the benefit of the consumer.

The practical tools and methods of the private sector have also influenced the perspective on management. In fact, NPM and other managerial approaches, juxtapose an inverse logic to the procedural attitude of public services, suggesting results-orientation, customer-centered focus and entrepreneurial practices (Osborne and Gaebler 1992 ; Barzelay 2001). The ideas supporting the privatization rationale such as consumer's choice, contestability and transparency appear ostensibly similar (if not identical) with the basic NPM principals. The latter implies a directly opposite model to the traditional bureaucratic doctrine (Hood 1991: 5). Within this context, privatization could also be seen as a part of a broader administrative reform project³³ (Spanou 2008), under the influence of managerial ideas and private management techniques. Questioning the role of the state embodies apparently not only technical but also further ideological and axiological judgments.

³⁰ See also: European Commission (1996), Communication from the Commission, Services of General Interest in Europe, Brussels, 11.9.1996, p.4.

³¹ A main (but usually unspoken) reason for privatization is the "*fiscal stress*" of the governments (Levine and Fisher 1984: 179). Privatization is then incited by the motive of raising money and revenues that could be used for funding public expenditure as well to reduce the public deficit and the public debt (Yarrow 1986: 360-361 ; Vickers and Wright, 1989: 8).

³² Classical political economy, neo-classic economics schools of thought, school of Chicago, etc.

³³ And also as an integral part of the '*modernization*' project of prime Minister Simitis (Featherstone 2005).

b.) The 'better performance' argument

Along with the theoretical-ideological considerations, further argumentation has been developed in a more technical, economic and empirical level. A crucial point calls into question the performance of public firms. The low performance of public sector organizations rests a core argument of the criticism referred to the state-owned enterprises (Heald and Steel 1982 ; Vickers and Wright 1989: 6 ; Bishop and Thompson 1994 ; Lioukas and Papoulias 1995: 174-5 ; Haritakis and Pitelis 1998 ; Parker 1998: 30-33 ; Joumard and Mylonas 1999). Structural restraints, inherent public organizations inefficiency, strong politicization, principal – agent problems, rent – seeking distortions, capture risks and the implications of the public choice theory have been typically employed in order to explain the failure of the model and subsequently to justify the supremacy of the market (Parker 1998: 30-33, 39). The particular interpretation of efficiency was oriented towards its most technical or economic features, filtered through the advantageous alternative of market allocative function³⁴. Regarding the privatization rationale, a “*management modernization*” perspective proposed that Corporate Governance discipline and the shareholders’ control would guarantee transparency and better performance (Bishop, Kay and Meyer 1994: 3). The reasoning was “*pragmatic*” (Pagoulatos 2005), while the political or ideological aspects have been generally smoothed³⁵.

c.) Implications for citizens as consumers

The eventual benefits of the reform refer at both liberalization and privatization effects. However, it is not feasible to utterly separate the impact of the two parameters and estimate the gravity of each one over the potential outcomes. Certain positive implications for citizens as consumers derive from the previous propositions, mostly with regard to the effect of competition.

Concerning the liberalization aspect, competition rules and market discipline make the firms more “sensitive” towards their customers. Under the free market pressures, competing providers are strongly motivated to become more efficient and to orient their action to the needs and the preferences of the customer (Beesley and Littlechild 1986: 38-41 ; Handler 1996: 79-80, 107 ; Cohen and Henry 1997: 10-11). The transformation of the monopolistic structures into competitive ones is expected to lead to high quality services in lower prices (Savas 1987: 4-10 ; Parker 1998: 39 ; Héritier 2001: 2-3). The opening up of the market would also increase consumer’s choice, boost innovation and lead to a greater range of products and services³⁶ (OECD 2001: 10). Services differentiation means –among others- better response to the individual needs and preferences (“*responsiveness*” criterion).

³⁴ In line with the E.C. classification (Evaluation of the Performance of Network Industries PROVIDING SGEI, 2006 Report, Annex), we can distinguish four main types of ‘efficiency’ with regard to the anticipated gains: A higher level of *allocative efficiency*, that is to say cost and production rationalization ; more efficient (productive) use of the resources (*productive efficiency*) and cost – effectiveness (cost minimization – outcomes maximization) ; reduction of *x-inefficiency* ; development and innovation (*dynamic efficiency*). The market model thus suggests more efficient markets, better services, improved performance and higher productivity. These features are to a certain degree a reverse reading of the weaknesses of public enterprises.

³⁵ The approach that was chosen regarding the conceptualization of the project was not irrelevant to the potential reaction that privatization policies could provoke. Depriving the public sector from its political and social characteristics and emphasizing the economic functions of state-owned industries ‘neutralizes’ and thus facilitates the initiation of the privatization programs (Vickers and Wright, 1989: 14). See also the analysis of Feigenbaum & Henig on the relation between the “*pragmatic privatization*” and the “*de-politicization*” process (1994: 193-196).

³⁶ See also the introductory reports of the Greek laws and the E.U. documents.

However, privatization process itself does not seem to entail significant direct results disjointed from the competitive environment. It has been argued that combined with an open market, privatization could empower consumers by enhancing their autonomy versus the enterprises, quite restricted within a relation of monopolistic nature (Handler 1996: 78-79). One could also support the view that on the antipode of the bureaucratic introversion and the often indifferent attitude of the public servants, a private firm seems to incorporate a different customer service spirit. Still, this depends on the structure of the market.

On the whole, the “*consumer’s empowerment*” argumentation apparently focuses on micro-level variables. An individualized approach of consumer’s interest seems to be the central idea. The gradual personalization of the provided services illustrates the individualization tendency. As for the public interest concerns, the socio-political general interest goals are considered to be indirectly achieved in a competitive environment (Héritier 2001: 2-3). The crucial parameter is once again the competitive market and not the property status of the enterprises.

Policies Implemented: liberalization and (gradual) privatization of OTE

Both the liberalization and the privatization program took place on a basis of gradual implementation. The «incremental» character (Lindblom 1959) of the undertaken projects reflects explicit political choices. Additionally, it could be seen as a method to smoothen the strong opposition of a large part of the public or the latent undermining of the applied policies by the trade unions, vested interests and other public and private actors.

a.) market liberalization

The liberalization of the telecommunications sector had significant effects on the structural and functional parameters of both the network market and the incumbent operator. First, the passing from the monopoly scheme to the competitive market required the opening up of the market and the free access/entry of competitors. In the case of the Greek telecommunications market, the opening policy followed a gradual approach, prolonging up to 2001 the liberalization deadline for the full adoption of the European legislation³⁷. Secondly, liberalization and its E.U. concept imposed the transformation of the traditionally vertically integrated monopoly. The new scheme provided the structural separation between the competitive and the non-competitive segments³⁸. OTE is the network administrator (*essential facility*) that enables network access to the other operators (*local loop unbundling services*). Lastly, the internal functional split of OTE (production – distribution) is expected to be announced soon by the national regulatory authority (EETT)³⁹.

Regarding the competition level, it is evident that the current situation is far from the ideal (though unrealistic) model of perfect competition. The limited number of private providers as well as the differentiated coverage range between those who built their own stable network and the network of OTE (to which have access the other operators) outlines the characteristics of a quasi-competitive market. The latter responds to a rather oligopolistic situation where while there are private operators, OTE (incumbent operator) remains the dominant player⁴⁰. In order to make a brief assessment of the status and the ‘competitiveness’ of the market, we next compare the market shares and the corresponding

³⁷ 96/19/EC. For the rest member-states this deadline had been already active since 1998.

³⁸ For a categorization, see OECD 2001: 8-11.

³⁹ Personal interviews with OTE officials [March 2009]. See also Kathimerini, 20.4.09.

⁴⁰ Except for OTE, other private providers that have smaller market shares in the fix telephony market are: Hellas online, Forthnet, Tellas, On Telecoms (and NetOne), Vivodi, Teledome, TelePassport CytaHellas.

market repartition (fix telephony). In line with the data of *Table 1*, we deduct that although the evolution of the market structure shows a gradual decrease of OTE share, we are far from a balanced (antagonistic) situation. The incumbent operator is still in a quite dominant position. However, the gradual but constant reduction of OTE's share shows that the market is gradually becoming more competitive.

Table 1
Evolution of the Greek Telecommunications Market Structure (1998 – 2007)

	Market Share (Incumbent firm)			
	Local calls	Long distance/ National calls	International calls	Average Market Share
1998	100%	100%	100%	100%
2001	100%	99,6%	98%	99,2%
2002	98,9%	95,9%	92,6%	95,8%
2003	86,85%	78,25%	70,6%	78,57%
2004	77,95%	69,25%	54,7%	67,3%
2005	74,05%	68,5%	50,5%	64,35%
2006	71,55%	67,45%	42,45%	60,48%
2007 (1se m.)	70,7%	64,3%	49,9%	61,63%

Source: E.C. 2001 and EETT 2007⁴¹

b.) Gradual privatization of OTE

Among the different types of privatization⁴², the approach followed in the case of OTE was the gradual privatization⁴³. The process of (regular) public offerings through the Athens Stock Exchange took place for a short/middle term period and the state's share has progressively decreased (see Table 2). The plan of a strategic investor has led to the agreement with the German company 'Deutsche Telecom' (2008). At the moment the Greek State owns directly a 17.93% stake and indirectly (share of IKA and DEPA AE) 25% and one auction, equally to the share of Deutsche Telecom⁴⁴. Concerning the necessity and the pace of the privatization procedure, it should be mentioned that these questions were at the discretion sphere of the Greek government⁴⁵.

⁴¹ Data: 1998-2001: E.C. (2001), *Annexes to the report on the functioning of product and capital markets: Market performance of network industries providing services of general interest: a first horizontal assessment*, Working document by the services of Commissioners Bolkestein and Solbes, Brussels, 7/12/2001, 2002-2007: EETT 2007: *Annual Report 2007 – Market Review*. It must be noted that for the period 2003-2004 the percentages are slightly different between the two sources.

⁴² On the different methods and instruments of privatization see: Vickers and Wright 1989: 3-4 ; Savas 1992: 573-576 ; Domberger and Piggott 1994: 48-53. In particular, within the context of the Greek legislation, see previews law 2000/1991 (art.5).

⁴³ The adopted term was the 'de-nationalization' and the "*metochopoiisi*" (*μετοχοποίηση*) because of the unpopularity of the 'private' component, another feature of the symbolic use of words in policy-making.

⁴⁴ The current shareholder structure of the Organism is: Hellenic Republic: 25.0%, Deutsche Telekom: 25.0%, Greek Institutional Shareholders: 9.3%, International Institutional Shareholders: 33.1%, Rest Shareholders: 7.6% (*source*: OTE, June 2009).

⁴⁵ As it has been already said, the European Union apparently adopts a neutral position with regard to the legal status of the operators (public or private ownership). What matters most is the service provided and the provision terms, in line with the competitive rules.

Table 2
The privatization process of the Hellenic Telecommunications Organism (OTE)

	1996	1997	1998			1999	2000	2001	2002	2004	2005	2007	2008	2009
			(Jan.)	(Jun.)	(Nov.)									
Share of the Greek state*	92,4%	81,32%	75,13%	75,01%	65,1%	51,15%	52,44%	41,76%	33,76%	34,64%	35,63%	24,93%	21,93%	17,93%

* direct

Source: OTE, Investor Relations Department

The hypothesis of ‘consumer empowerment’

The hypothesis of “*consumer empowerment*” occupies a central place within the argumentation of the reform project. A complementary term that is often employed is “*consumer’s sovereignty*”. Both latently imply that the consumer was more or less a “weak actor”. However, the relevant ambiguity and the theoretical origins of the term (notably ‘implanted’ from the private marketing practices), need further definition within the context of public utilities. It should be thus analyzed which particular characteristics (rights, possibilities, options, etc.) are being empowered and with reference to what model of *state – market – society* relations. As for the political and practical implications, a crucial dimension is the European concept of *Services of General Economic Interest* as well as the notion of *Universal Service*.

A new conceptualization of the public interest: the E.U. perspective

The Europeanization process imposes the adoption of common rules and harmonized market practices. While the initial basis of the E.U. project was the economic cooperation, the expansion of the market approach in fields not “purely commercial” (public utilities) raised certain compatibility questions between the logic of the market and that of the public interest. The notion of *Services of General Economic Interest* (SGEI) reflects the need of a counterweight to the potential threats that free market entails for the rights of citizens as consumers. It also serves as a guarantee for the public interest⁴⁶. Particularly for the telecommunications sector, the notion of *Universal Service* (US) outline precisely the relevant obligations. However, these conceptual schemes are not only practical devices but also ideological tools. They imply a new conceptualization of the public interest as well as a salient practical and theoretical re-interpretation of the deriving values and the characteristics of the recipients of SGEI⁴⁷.

Following a descending approach, the SGEI⁴⁸ are part of the wider category of the Services of General Interest (SGI), based on the (semi) commercial character of the relevant activities. The latter, as the term implies, is oriented towards the object of ‘*servicing the public*’ (in the interest of the public)⁴⁹. We can discern three main features:

⁴⁶ See the E.U. documents (White and Green paper of SGEI, Directive US, Horizontal Evaluations, Communications of the Commission on SGEI, etc.).

⁴⁷ A brief reading of the European documents and the Greek legislation shows the ambiguity of the selected terms: citizens-consumers and Europeans (Eurobaromètre 47, 1997), end-users (Directive 98/10/EC), users (Directive 2002/22/EC), consumers (Eurobarometer 58, 2002 ; Special Eurobarometer 219, 2004 ; Special Eurobarometer 252, 2006), users (Lisbon Treaty 2007), subscribers/users/consumers (law 3431/2006), consumers (ministerial act 488/82/2008 – Deontology Code), users/end-users (ministerial act 44035/1626 - Universal Service).

⁴⁸ Lisbon Treaty, Protocol (No 26). The SGEI is a rather “*flexible concept*”, in constant need of re-definition and re-adjustment (“*dynamic approach*”) (Commission of the European Communities (1996), Communication from the Commission, Services of General Interest in Europe, Brussels, 11.9.1996: 7-8).

⁴⁹ Commission of the European Communities 1996, *op.cit.*

a.) Micro – level concerns, with regard to the competitive market advantages and the direct consumer’s interest (choice, price, improving the level of quality).

b.) Basic operating principals, related to public service obligations (continuity, equal access, universality, openness, adaptability, transparency).

c.) Macro-level considerations, such as the adaptability to the needs of the public in general, environmental protection, social and economic cohesion, land – use planning and territorial cohesion.

It is however up to the discretion of member-states to specify and to further define the criteria and the application methods in order to fulfill the mission of SGEI.

One level down, the term *Universal Service*⁵⁰ (US) refers to a minimum set of general interest requirements or a range of basic services. US and public service have some common features but do not exactly correspond to the same content⁵¹. In particular, concerning the telecommunications, the notion of the US defines the minimum public interest or public service obligations, taking into account the needs of the consumers that may not be satisfactory met by the market mechanisms⁵². The three main criteria are the *affordability* of the price, the *quality* and the terms of *access* (availability). Objectivity, transparency, non-discrimination and proportionality constitute in addition the four application principles. Concerning the Greek telecommunications market, the legislative framework adopts the principal guidelines of the Directive in a rather typical way⁵³. As could one expect, OTE has been chosen to provide the services referring to the US obligations.

Summing up the short analysis of the E.U. perspective, a crucial remark is that, in line with the SGEI and the US, the notion of public interest has been re-conceptualized. The “mix” combines elements of the Anglo-Saxon *public utilities* (micro-economic interest), the more inclusive features of the French *public service*, as well as a newly inspired *public service* European dimension. The latter, implies a rather ambiguous combination of general interest goals and market values. In any case, the priority seems to be the competitive function. Certain exemptions from the rules of the Treaties (SGEI) as well as the special rights of the operators providing the universal service are defined in a quite strict way. The “asymmetric” concern of the E.U. policy priorities is also reflected in the absence of a concrete European legal frame on SGEI. Contrary to the obligatory and more precise character of the Directives, the SGEI White Paper and the Commission’s Communications evoke ambiguous interpretations for their legal basis⁵⁴.

The citizens as consumers: of rights and possibilities

As it has already been argued, the reform has changed the users’ conceptualization by initiating a more consumerist profile. The corresponding characteristics derive mainly from the market model and are quite similar to these of an economic actor. The criterion of

⁵⁰ ‘universal service’ means a defined minimum set of services of specified quality which is available to all users independent of their geographical location and, in the light of specific national conditions, at an affordable price (directive 98/10/EC).

⁵¹ It is argued that the notion of the universal service is more restricted, imposing “*minimalistic*” obligations, compared to these of the public service (Chevallier 2000: 32-34, 2005: 99-101 ; Stoffaës 1995: 33 ; Bouquillion 2001).

⁵² See Directive 2002/22/EC (‘*Universal Service Directive*’).

⁵³ Law 3431/2006 and ministerial act 44035/1626/2007. From the point of view of the opposition parties, the interpretation and the transfer of these principals provoked certain criticism, while characterized as a quite “*restricted approach*” of the European directions (see Parliament Minutes, ΞΔ’ 17.1.2006: 3333-5, 3353, 3356).

⁵⁴ According to CEEP, the ambiguity of the legal status of the SGEI could even imply “*absence of legal certainty*” (see CEEP Newsflash, October 2006). See also Bauby 2002: 55 and the Opinion of the Committee of the Regions on the Communication from the Commission - Implementing the Community Lisbon program - Social services of general interest in the European Union (2007/C 57/08).

“*individual utility maximization*” (Buchanan 1972: 16) largely forms the behavior and the decisions of the consumers. In Marshall’s terminology, one would assume an empowerment of the individual/civil rights and a retreat of the social and political features of ‘citizenship’. It should be noted however that the existence of a right itself does not assure automatically its practical enactment (Spanou 2005). Concerning particularly the often abstractive definition as well as the uncertain consolidation and protection guarantees, the ambiguity is obvious. That is the reason why we employ in parallel the term ‘possibilities’⁵⁵.

Within the frame of the free market, new rights and new possibilities emerge. In line with previous remarks, the differentiation of telecommunication services according to consumer’s needs implies more “*choice*”. The individualization or personalization of the services is practically expressed via the different offers of the alternative providers and the sets of programs that each company proposes. Regarding OTE, a great range of personalized services has been developed in order to respond to multiple customers’ profiles⁵⁶. In case of dissatisfaction, “*exit*” possibilities exist. Contrary to the paternalistic tendencies of which have been often accused the state monopolies, consumers have freedom to make individual decisions, to compare the alternative offers and to choose the one that fits best to their needs. Quality standards have been introduced in order to facilitate consumers’ choice. The national regulators (EETT) inform the public about the available offers and the performance of each operator. Furthermore, consumers views should be taken into account when end-users’ rights come into question⁵⁷. Thus, “*voice*” options seem to correspond to a wider range of possibilities, though mostly of procedural nature⁵⁸.

Along with these options, there are specific rights and obligations included in the (national and European) legislative framework⁵⁹, in Codes, Charters and Regulations⁶⁰ and in the particular terms of the contracts between the consumers and the providers⁶¹. However, apart from the last case, it is often difficult to discern the legal status and the practical application of these rights. We lastly note the emergence of new rights that mostly derive from the technological evolution such as the right of privacy in communications and the protection of personal data. Though the present study does not treat these questions, it could be said, epigrammatically, that the guarantee of these rights calls again for state action in the telecommunications sector.

The transformation of the triangular relation

The gradual diminishment of state’s share in OTE along with the restraint competition rules apparently detaches the state from the direct control of the privatized enterprise. Briefly, privatization and liberalization affects three main aspects: the management (henceforth chosen by the General Assembly of the stakeholders), the state subsidization terms (exceptionally allowed for the cost of the US) and the public control of both market

⁵⁵ We could also note that in economics terminology we usually talk of possibilities or opportunities, while within the frame of state action for (legally guaranteed) rights.

⁵⁶ For instance the program OTE-choices (ΟΤΕΠΙΛΟΓΕΣ), OTE student pack, OTE pensioners +65 pack, OTE for business, CATEXOCHIN (Holidays line plan), OTE all in one, *etc.*

⁵⁷ See Directive 2002/22/EC (47-48).

⁵⁸ See next section. See also the analysis of Bouquillion (2001) with reference to the Universal Service.

⁵⁹ Directives 2002/21/EC, 2002/22/EC, ministerial act 255/83/2002 and 44035/1626/2007 (Universal Service), law 3431/2006.

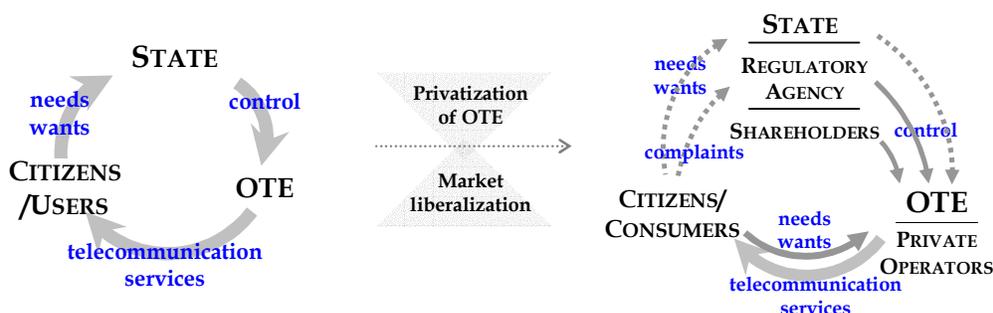
⁶⁰ Ministerial act 488/82/2008 (Deontology Code)

⁶¹ It must be noted that the general context of the telecommunications’ contracts is defined by law (see art.56, law 3431/2006).

and the firm (accountability). The scope for public intervention is quite restricted and the role of the state gradually diminishes. Parliamentary procedures and government-ministerial control within the context of “political enterprises” is not a feature compatible with open markets and private enterprise requirements. Besides, the Greek state can no longer directly intervene in OTE’s decisions, as the latter is primarily accountable to its shareholders. It seems that politicization gives its place to a “*managerialization*” logic (Spanou 2003: 59-60). Regulatory agencies constitute a new pole of the triangular relation, to which the state has delegated a great range of regulatory functions. The state-mediating aspect of citizens/consumers – OTE relation grow weaker and more ambiguous.

The structural features of the relation correspond to a more horizontal (*i.e.* less hierarchic) scheme, potentially closer to the “*policy networks*” example (Powell 1990 ; Thatcher 1995 ; Smith 1997). The state is one (still the more significant) actor among others while regulatory agencies partly fill the mediatory gap between the two parts (*see Scheme below*). This shift however implies significant qualitative changes in terms of political communication and raise questions of legitimacy, accountability and regulators’ independence (Majone 1996, 1999, 2005 ; Thatcher and Sweet 2002). The vanishing intensity of the traditional political bonds is therefore quite evident.

A (simplified) model of the transformation of the triangular relation



However, it has been argued that privatization mostly alters (than diminishes) the scope and the way by which governments intervene in the economic field (Vickers and Wright 1989: 26-28 ; Lymberaki 1994a: 101-102). Diachronically developed and consolidated (official and unofficial) coalitions can be proved major obstacles for the reformers. A neo-institutional perspective⁶² could further illuminate and explain that hypothesis, but inevitably surpasses the scope of the present analysis. What is important here is that the state - apparently disengaged from the control of OTE- as well as other institutional factors can unofficially influence the management. The apparent retreat of the state thus does not necessarily correspond to the abolition of government control (Spanou 2008: 157). It is however rather ambiguous if and how citizens can raise any claims for democratic accountability for that action⁶³. There the role of the regulators is decisive in order to prevail the “implantation” of the distortions of the public regime to the new environment.

⁶² Regarding mostly the *path-dependency* effect and the influence of the *Historical Institutionalism* (*see* March & Olsen 1984 ; Hall and Taylor 1996).

⁶³ An illustrative example of the ad hoc (and of ambiguous legitimacy) government intervention constitute the amendment that the Minister of Finance hastily initiated in view of the growing share of MIG at OTE in order to block the revendication of management rights from MIG (*see* art.11, law 3631/2008). There, “*public interest concerns*” justify the intervention of the Inter-Ministerial Denationalization Committee and the Minister of Finance as well as the prior approval of these organs for a series of important decisions. However, the legitimacy and the compatibility of that rule with the European legislation have been strongly contested.

On the other hand, the weakening of the political bonds occurs in parallel with the strengthening of the direct relations between the citizens and OTE. In addition to the shift towards a 'customer-centered' approach⁶⁴, certain evolutions confirm this proposition. The *Consumers' Charters* (1996) initiate certain obligations for the enterprise and set specific compensation rules in case of noncompliance. For a range of (procedural and essential) issues OTE is thus directly accountable to the subscribers⁶⁵. The shift '*closer to the customer*' is also reflected in the evolution of customers' services structures. The decentralization policy of the company (expansion of the OTEshops network) favors the direct access and the proximity to the customer. A reversal of the introvert function to a more extravert approach is rather evident.

Nevertheless, the transformation of the triangular relation entails further sociopolitical shifts. The emphasis on the individual nature of citizens as consumers inevitably challenges the grounds of a more inclusive concept of the citizen (Levine and Fisher 1984 ; Barnes and Prior 1995 ; Chillon 2002 ; Clarke 2004 ; Spanou 2000: 491-513). The focus on the characteristics of the consumer could be interpreted as a broader priorities' displacement from the sphere of collective (public) interest to that of individual profit⁶⁶. Privatization and liberalization logics adopt a rather asymmetrical view concerning the economic and the sociopolitical features of both the state and the citizens. The depoliticization of the corresponding relations implies the detachment of the two spheres and the reevaluation of state functions. In sum, that inner differentiation could correspond to what Le Manse calls the "*resynchronization*" of the social regulation from the economic regulation (2003: 9).

Market regulation and consumer protection

Summing up the critical reading of the consumers' empowerment argument, we deduce that telecommunications market reform entails certain benefits for the consumers, but this general hypothesis is not a self-evident one. It should be further specified which particular factors lead to the anticipated results and under which preconditions. In fact, the key variable here is not liberalization or privatization *per se*, but the quality of regulation and effective competition (Beesley and Littlechild 1986 ; Yarrow 1986 ; Vickers and Yarrow, 1991 ; Bouquillion 2001 ; Birdsall and Nellis 2003: 1628-1629). Thus, the mechanisms that guarantee the competitive environment have a crucial role to play.

The independent regulatory authorities -in Greece the EETT⁶⁷- are responsible for supervising and regulating the markets in a dual sense: assure the protection of the consumers on the one hand and guarantee the competition and the rights of the enterprises on the other⁶⁸. Concerning the former, regulatory bodies constitute an "*out of court dispute resolution*" mechanism (art. 34, US Directive) that informs consumers about their rights and intervene in case of violation or non-respect. The consumers can submit complaints and express their point of view about the telecommunications regulatory

⁶⁴ A central feature of the corporate plans since 1995 (see Annual Reports, Operational Plans, etc.).

⁶⁵ It should be noted that at the moment the legal services of OTE regard that the enterprise as a private firm is not anymore obliged to follow the Charters' rules. In practice however, even when the Charter was typically active, the OTE Charter has included only a small number of cases, mostly of procedural nature. Besides, the terms were unilaterally defined by the enterprise and the compensations were rather symbolic.

⁶⁶ The *individualization* and *depoliticization* tendency is also reflected in the evolution of the legislative framework. While at the initial acts the emphasis was on the *public-interest* character of OTE, the recent regulations adopt a more individual targeting ('*customer – oriented*' approach) that converges to a more specialized/individualized conceptualization of the user. Besides, OTE is no longer officially characterized as a *public – interest* enterprise. The social welfare feature does not stand for a salient general orientation but corresponds to specific requirements more or less imposed by the universal service obligations.

⁶⁷ The National Regulatory Authority for the Electronic Communications and the Postal Services Markets.

⁶⁸ Two missions potentially conflictual in certain cases.

framework by participating in public consultations that EETT organizes. That possibility apparently implies a more active role for the consumers who can intervene in the decision-making process⁶⁹, and make known/communicate their views (“*voice*”). However, neither the view of the consumers nor the propositions of EETT are binding for the supervising Minister, who makes the final decisions.

Furthermore, it should be mentioned that the relations between the regulatory body and the regulated industries are characterized by constant disputes. The sanctions that EETT imposes on the operators are contested by the industries and in many cases are reduced to smaller sums by the Greek Courts. The minimization of the sanctions imposed by the EETT undermines the motives for compliance, while also discredits the role and the sovereignty of the regulatory authority. Concerning particularly the relation between EETT and OTE, the conflict is quite evident. Continuous disputes occur and nourish a state of tension between them⁷⁰. However, one could argue that the above-described situation embodies at least one positive aspect, by reducing the ‘*capture*’ risks (Stigler 1971 ; Wilson 1984). On the other hand, the relation of EETT with the government and the independency of the former constitute another sensitive question. In both cases the apparent tension or “imbalance” inevitably affects the regulatory efficiency in a rather negative way.

Along with the development of the regulatory agencies, other structures for the protection of consumers’ rights have emerged⁷¹. Compared with the prior regime, the multiplication of the mediating bodies widens the frame of consumers’ protection, at least in procedural terms⁷². Consumers can lodge their complaints and express their objections at multi-level out of court mechanisms. This possibility potentially implies an amelioration (though susceptible to further preconditions) of “*voice*” options. In any case, the general picture is that the new structures ensure a higher-quality level of protection, contrary to the restricted and less-transparent scheme of central control.

Empirical Documentation

We next test empirically the hypothesis of better response to the needs of the users and evaluate the status of the rights’ protection. We employ two main indicators for the period 2000-2007⁷³: *users’ satisfaction* and *users’ protection*. The following evaluations are of course susceptible to the statistical restraints and to the latent risk that entails the quantification of qualitative indicators. In terms of *overall users’ satisfaction*⁷⁴ we note a constant deterioration concerning the citizens’ views on fix telephony services (see Table 3 and Diagram below). In a parallel way, there is considerable dissatisfaction that has been proportionally increased.

⁶⁹ See Universal Service Directive (47), (48).

⁷⁰ See the official announcements of EETT and OTE. For instance, the high fines that EETT has imposed on OTE in Oct. 2008 (EETT Announcement: 3 Oct 2008) and the response of OTE (Press release: 6 Oct. 2008). The latter refers to a “*quite evident obstinacy of the Regulator towards OTE*”.

⁷¹ The *Protection Committee of the Consumers of Public Enterprises and Organisms* (1994-2007), the *Consumers’ Unions* and the *Committees of friendly resolution of consumers’ disputes*, the *Greek Ombudsman*, the *Hellenic Consumer’s Ombudsman*, the *General Secretary for Consumer Affairs* in the Ministry of Development and a great range of *civil organizations* and NGO’s.

⁷² Of course, citizens can still address their complaints directly to the service provider (customers’ bureaus/complaints offices) and retain their right to proceed to the civil courts in case of dispute.

⁷³ A more complete comparison would include data for a longer period. However, the lack of homogenous statistical data for the pre – privatization and pre-liberalization period confine the available statistical field. We use data from the Eurobarometers 53/2000, 58/2002, 219/2005, 260/2007. We do not include the 1997 Survey because of the different methodology.

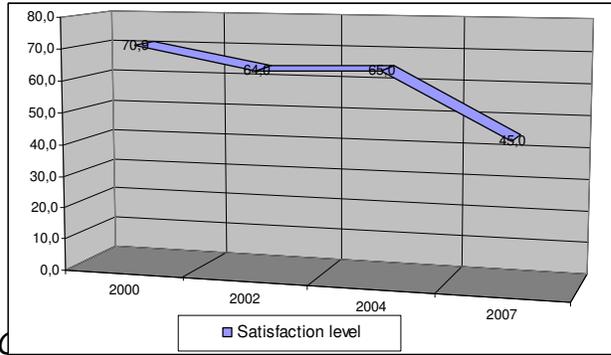
⁷⁴ This includes the synthesis of the following indicators: access, price, quality, information, other contract indicators.

Fix Telephony Services Satisfaction Level in Greece (2000 – 2007)

Table 3

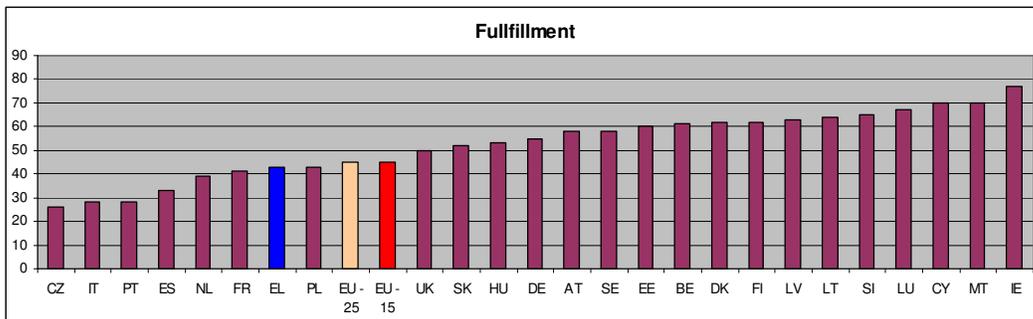
Fix Telephony Services Satisfaction Level in Greece	
2000	70,9%
2002	64,0%
2004	65,0%
2007	45,0%

Source: Eurobarometers 53, 260 I.P.S.O.



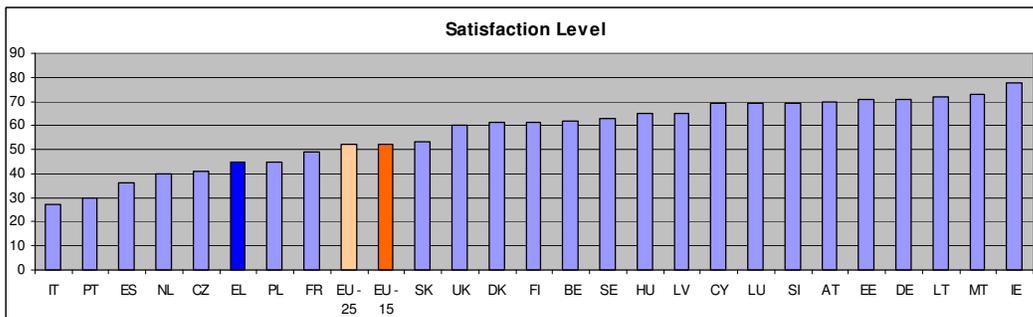
Taking into account that member-states reform their national telecommunications monopolies in line with the common directions of the E.U. a general comparison can be made in terms of relative efficiency. In a cross – country perspective Greece is apparently below the average satisfaction European level (see Table below). The indices thus show a low “responsiveness” degree.

Overall Satisfaction Level E.U.-25 (2007)



Source: IPSOS-INRA 2007⁷⁵

Overall Satisfaction Level E.U.-25 (2007)



Source: IPSOS-INRA 2007

From a complementary point of view, a crucial question is what happens when problems occur (*dispute resolution and problem settlement procedures*). The 2006-2007 indices⁷⁶ depict a rather moderate situation as for whether the complaints were dealt with

⁷⁵ Consumer Satisfaction Survey (final report), May 2007, for the European Commission, Health & Consumer Protection Directorate – General.

⁷⁶ Eurobaromètre spécial 260 (2007).

well or badly (47% and 43% retrospectively). Concerning the context of the complaints, most consumers question the high charges at their bills (over-cost charges)⁷⁷. Further obstacles of procedural nature often complicate the communication terms between the operators and the subscribers⁷⁸. Overall, the empirical findings show a low integration degree concerning the anticipated benefit in terms of users' satisfaction and protection.

3. Beyond citizens/users/consumers: a Losers - Winners perspective

Whatever the degree of convergence to the initial goals, we cannot deny that the telecommunications sector reform -to some extent- has worked for the benefit of the consumers. However, predicted or unexpected costs are not of minor significance. We cannot thus speak for a clear positive or negative outcome. In this regard, the distribution of gains and losses along with the particular "timing" of the anticipated effects could lead to secondary inequalities concerning the impact of the reform. The concentrated or diffused nature of costs and benefits (Wilson 1973: 331-337) and the selective or discriminatory criteria of their allocation could imply a shift in the policy style (Lowi 1964), corresponding to a rather "*distributional*" (instead of "*regulatory*") paradigm (Pagoulatos 2000). Next, we try to assess the impact of the reform on citizens including mainly the direct effect (citizens as users/consumers). We then epigrammatically look at the indirect implications for the society as a whole and as a synthesis of different interest groups (citizens as taxpayers, employees, shareholders, suppliers, etc.). The aim is to detect the latent asymmetries in the allocation of the potential benefits, assuming that there is an overall gain.

At a macro-economic level, there have been concerns that privatization may deprive state agents from the self-interest rents but this could result to a simple transfer of that possibility to private interests (Parker 1998: 39-40). Beyond the axiomatically bounded practical value of perfect competition assumptions, actual and potential competition distortions illustrate the latent threats⁷⁹. In theory and in the rhetoric of the reform the free market 'automatization' has been conceived in many cases as a self-evident assumption to the benefit of the consumers. In practice, imperfect competition and the actual oligopolistic scheme confine the validity of this hypothesis. The constant violations of competition rules by OTE and other operators stress the practical difficulties of maintaining a competitive environment. It thus reflects a market not fully benefited from the liberalization.

In cost/benefit allocation terms, regulation or competition distortions could lead to a *two-tier* users/consumers situation. In fact, *cream-skimming* effects are possible to occur if companies orient their action to the most profitable activities and exclude the non-profitable areas. That could also happen on the basis of big customers and households, to the detriment of the latter. To the degree that the quality of competition defines -in a proportional way- the benefits for the consumers, a poor and unstable competitive function apparently erodes the grounds of consumer's empowerment. In this case, the winners are the private operators and big (more powerful) customers.

A second-degree analysis could reveal further asymmetries concerning the distribution of the potential cost or benefit across different categories of end-users. For instance, the available data in terms of total household spending shows the (positive) direct price effect for both the low and the high-income households. The relative benefit on the income was

⁷⁷ See the Greek Ombudsman's and the Hellenic Consumer's Ombudsman Annual Reports.

⁷⁸ Mostly with reference to the private operators, many subscribers find great difficulty in reaching their providers. The automation of customers' services (lack of personnel, call centers, pre-recorded "*press button*" replies, etc.) discredit the quality of communication and constitute a source of constant dissatisfaction.

⁷⁹ Market concentrations, abuse of monopolistic or dominant position, unfair competition, illegal collusion, etc.

greater for the former⁸⁰. Differentiated redistribution effects could also arise among different types of services that a single fix-telephone consumer uses. Due to the adjustment of prices to the actual cost (abandon of cross-subsidizing practices), it is expected that the tariffs of long-distance calls will fall, while the charges of local calls will rise⁸¹. Thus, the impact, in terms of direct cost, is positive (beneficial) for the long-distance callers and negative (non-beneficial) for those who mostly make local calls. Additionally, multiple inner trade-offs at micro level could occur. Better prices are possible to have an inverse effect on the quality of the provided services⁸² as well as on the quality of complaints' treatment.

Concerning the indirect impact of the reform, the privatization of a public enterprise implies wealth transfer from the citizens as taxpayers (in large owners of public enterprises) to the new shareholders. The size and the dispersion/concentration degree of the cost or the benefit of the two sides depend on the pricing of the assets ("*sale value*") (Yarrow 1986: 358 ; Beesley and Littlechild 1986: 37 ; Vickers and Yarrow, 1991: 120) and the future use of the raised revenues. Positive fiscal effects could occur via both the productive use of privatization revenues and the resources savings through the elimination of (tax financed) budget transfers to public enterprises (Beesley and Littlechild 1986: 38 – 39 ; Birdsall and Nellis 2003: 1626-1627). The inverse case gives opposite results (dispersed cost for the citizens as taxpayers). In addition, during the initial phase of privatization, consulting/advisory firms, underwriters and "clever" market actors could draw significant short-term benefits under the particular circumstances (Yarrow 1986: 361-362 ; Papoulias 1991: 58).

Secondly, the citizens as employees (or potential employees) of the privatized enterprises are usually placed on the losers' side (Beesley and Littlechild 1986: 39 ; Lymberaki 1994b). Privatization changes the nature of the working relations according to the private model and eliminates certain privileges of the public sector labour relations. However, in the case of OTE that hypothesis is partially valid, as the 'old' employees have been benefited certain generous motives in order to smoothen their opposition to the privatization project ("*voluntary exit*" scheme). On the contrary, the new employees are submitted to a less privileged regime.

Apparently, an exhausting enumeration of the cases and the potential redistribution of cost and benefits is out of the scope and the aim of this study. Conjuncture has also a role to play. A complementary view reveals two related aspects: the *timing* and the *capacity* of consumers to drain the eventual benefit. As for the latter, it is not always evident that all consumers are equally qualified to get information, to evaluate the alternative options and to make the "rational" choice (Barnes and Prior 1995). The difficulty is higher in complex technology-based markets⁸³. In this case, a crucial question is whether there is a guarantee for those who are not able to make the right choice and to benefit from the competitive market. This remark evokes also a wider concern about the way that the question of 'vulnerable customers'⁸⁴ is being infiltrated through the market mechanism. Secondly, regarding the *time* factor, it is expected that the effects of liberalization appear earlier for the incumbent firms and the employees, while the consumers reap the benefits in the short

⁸⁰ E.C. (2007): *Evaluation of the Performance of Network Industries providing SGIE*, 2006 Report, Annexes: 40 – 41.

⁸¹ See the E.C. *Evaluations of the Performance of Network Industries providing SGIE* (2004-2006). See also Birdsall and Nellis, 2003: 1623.

⁸² See EC (2001), Annex to the report on the functioning of product and capital markets: *Market performance of network industries providing services of general interest: a first horizontal assessment*, Working document by the services of Commissioners Bolkestein and Solbes, Brussels, 7/12/2001, p.16.

⁸³ It is worth mentioning however that the Greeks find the evaluation of the different offers an easy task, in comparison with the other members of the E.U. (see Eurobaromètre spécial 260, 2007).

⁸⁴ In a wider sense than that of '*disabled users and users with special needs*', defined within the framework of the Universal Service Directive or '*targeted social groups*' for which the Greek legislation provides special tariffs.

- middle term⁸⁵. In the interim, eventual (relative) losses could occur for citizens as consumers.

As a final point, an apparently thorny –and not at all theoretical- issue is the ambiguous interplay between the logic of the market and that of the state action. Public and private sector serve *par excellence* contradictory goals and correspond to different accountability criteria⁸⁶. The market shift could imply that the citizens are more benefited as consumers than as members of a socio-political community. The early concern of E.U. policies to ensure a balance between the market efficiency and general interest objectives⁸⁷ underline the potential asymmetry (Bauby 2002 ; Baumstark 2002 ; Chillon 2002). The motives of public and private action lead additionally to a quasi-paradox remark. While state action theoretically incorporates public interest concerns, for the private agencies the eventual benefit for the consumer does not constitute a conscious objective by itself but a rather indirect effect of the market forces. The firm thus seeks to meet the needs of the users under the competitive pressures and not because the mission of ‘serving the public’ is a prerequisite of or stands for a concrete operational goal. Of course, one could argue that what is important finally is the result and not the procedural aspects of the eventual positive or negative effect. Nevertheless, the former cannot be utterly dissociated from the mechanisms that generate the corresponding outcomes, implying different conceptualizations of the benefit.

Conclusion

This paper has attempted to make a brief assessment of the telecommunications sector reform in Greece. Privatization and liberalization programs have been analyzed from a citizens/consumers’ perspective, aiming to measure the eventual beneficial effects. The findings correspond to both positive and negative policy outcomes. A general remark is that the benefit for the citizens as consumers is oriented towards a more individualized approach in line with the micro-level criteria of an economic actor. An axiological shift concerning *public interest* conceptualizations is also evident. A second reading of the facts that took place revealed further asymmetries and multi-level differentiations in terms of cost/benefit allocation. Concerning the relative significance of the two variables (privatization of ownership and market liberalization), the key factor seems to be the competitive function and the role of regulation and not so the property status of the operator.

In any case, OTE no longer constitutes a public enterprise and the Greek telecommunications monopoly has been replaced by a dynamic open market in constant evolution. The public/private dichotomy does not seem to correspond to a realistic argument, while the theoretical schemes of “*user*” and “*consumer*” have also shown their limits as analytical tools. Given the failure of the state-owned monopolies, mixed and more complicated policy models seem to be henceforth the case. However, the quasi-contradictory logic of public and private interest creates multiple policy trade-offs and calls for new regulatory re-arrangements and consensus.

⁸⁵ See E.C. (2007): *Evaluation of the Performance of Network Industries providing SGIE*, 2006 Report, Annexes: 12.

⁸⁶ With reference to the notions of public service/public interest and the principals of the competitive market we trace the elements of two distinct logics reflecting partially different perceptions for the pursued ends as well as for the organizational structure of utilities (public monopoly – open market) (Chevallier, 2000: 25 – 26 ; 2005: 42, 123 ; Bouquillion 2001 ; Chillon 2002).

⁸⁷ See for instance: Commission of the European Communities (1996), *Communication from the Commission*, Services of General Interest in Europe, Brussels, 11.9.1996, p.5-6.

In the present transitional period, attention must be paid in order to avoid market distortions. With reference to Héritier's categorization (2001) this could correspond to a better balance between the “*market-making policy*” (*negative integration*) and the “*market-correcting policy*” (*positive integration*). Unregulated market mechanisms could lead to a new and even worse marginalization of the consumers. In this case the reform would imply nothing more than a simple transformation of the state – driven “*user's occupation*” to a market – driven “*consumer's manipulation*”. This risk is not hypothetical. As it has been shown, the empowerment of the consumer is not a self-evident feature of the free market. While progress has been made, there is still much to do in order to reach the full benefits of the reform. In any case, both the state and the regulators have a key-role to play.

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