Greek Privatizations and Long-Run Growth: Doing it Right?

by Yannis M. Ioannides, Tufts University

"How The Greek–Euro Crisis Is Transforming Europe and Greece?"
McGill University, April 4, 2013

Outline

- Greek Crisis Origins: Twin deficits
  - Timeline
- Unfolding of the crisis seen through borrowing costs (spreads/yields)
- Troika (EZ/ECB/IMF) key decisions
- Troika Stabilization Program: seen through debt projections
- Privatizations
  - Hellinikon Site of former Athens International Airport

Outline

- **Greek Crisis Origins: Twin deficits**
  - May 2010: 1st bailout. July 2011, 2nd attempted; October 2011, 2nd; December 2012, 3rd.
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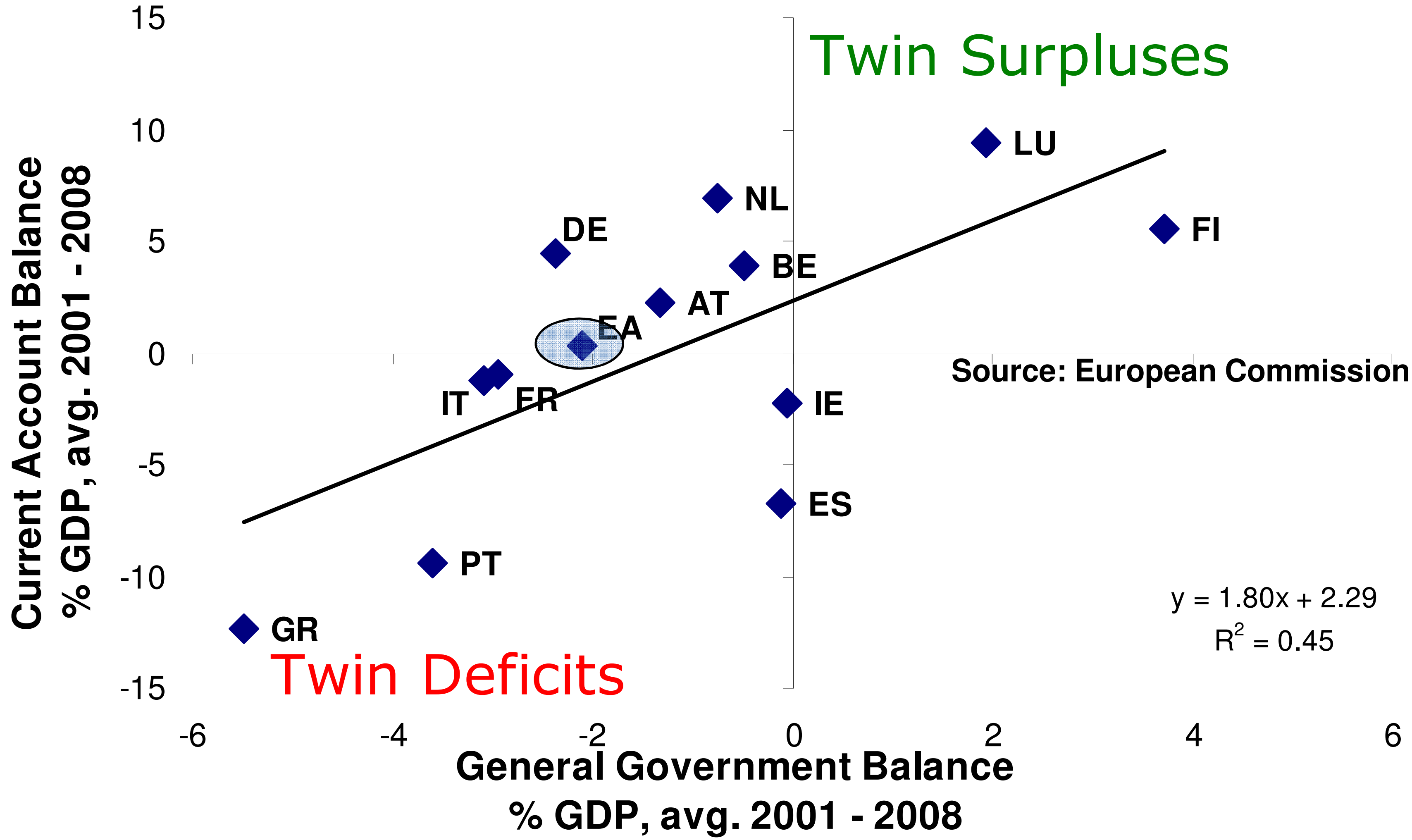
II. External and internal (fiscal) imbalances in the Euro Area: Greece showed the largest ones

- ✓ **Uncompetitive South vs. competitive North**
- ✓ **Fiscal profligacy almost everywhere**



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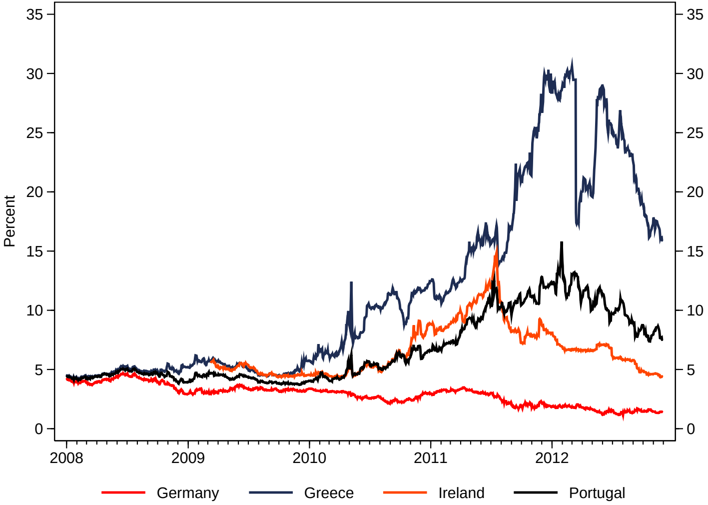
The crisis in the periphery: Government yields



- Yields on ten-year sovereign debt

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  - October 18, 2010 Private Sector Involvement (PSI) (Deauville)
  - July 21, 2011 PSI, up to 21% haircut on Greek debt
  - October 26, 2011 PSI 50% haircut
  - February 21, 2012 PSI, "53.5%" haircut (about 80%)

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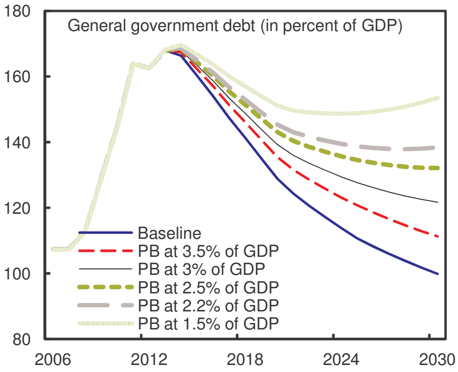
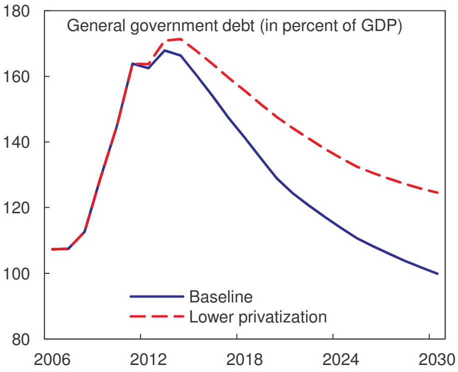


General government debt (in percent of GDP)
180
160
140
120
100
80
2006
2012
2018
2024
2030
Baseline
PB at 3.5% of GDP
PB at 3% of GDP
PB at 2.5% of GDP
PB at 2.2% of GDP
PB at 1.5% of GDP



General government debt (in percent of GDP)
180
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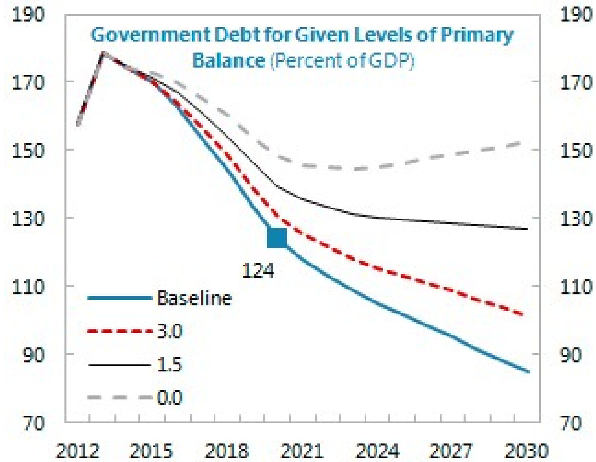
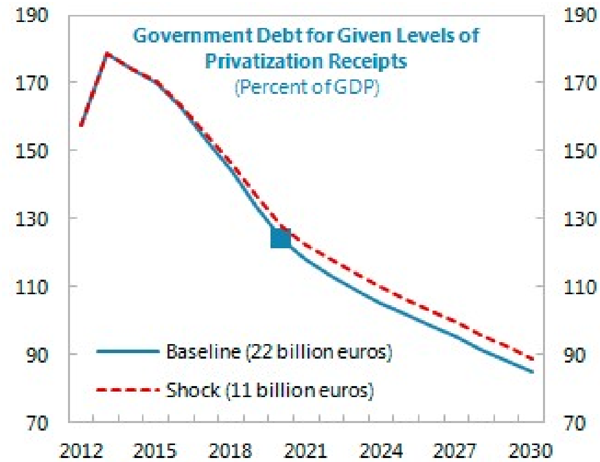
2006
2012
2018
2024
2030
Baseline
Lower privatization



Source: IMF staff estimates.



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Το Ακίνητο

εικόνα 5 | Αεροφωτογραφία

Πηγή : Ελληνικόν Α.Ε.

Image (1.3). Panoramic View of Agios Kosmas Coastal Front and Former Airport Site - November 2011.