Can Greece Sell Itself Out of Debt?

The calamitous economic plight of the so-called "PIGS" nations of the European Union (Portugal, Ireland, Greece, and Spain) is well known to the world. Greece is in the spotlight this week, as, according to the New York Times, "[It] took the first step to raise money from the sale of government assets on Monday while a top official at the European Central Bank argued that the country was not insolvent and should not be excused from paying its debts."

Familiar remedies for dealing with impoverished nations have been bandied about for months: Raising taxes; cracking down on tax cheats; borrowing more money to pay the debts; or cutting public spending — typically the last option any government wishes to consider.

The first two solutions will not work for Greece. The nations of Europe are taxed to death already. Squeezing more money through tax crackdowns would do nothing to encourage business activity and economic growth. And Greece will find the task of borrowing more money increasingly difficult, as its bonds are already at the level of junk status. and the interest rate the government would have to pay would be sky-high.

Though cutting government spending would help, even such a mild move as an across-the-board, 10-percent pay cut for all public employees would be a politically disastrous move for Greece, where the government has caused huge sections of the electorate to become utterly dependent upon its largesse.

What else might save Greece? Privatization is one way out. Government employees could still have jobs, but those jobs would have to fit into a competitive marketplace, and the financial bottom line — not public opinion polls — would determine the size of the workforce and the level of compensation and benefits. Italian economist Lorenzo Bini Smaghi, a member of the executive board of the European Central Bank, noted in a recent speech in Berlin that the Greek nation has state property worth €300 billion ($435 billion), enough to reduce its national debt of €330 billion ($485 billion) to a manageable level. "The key question is whether the Greek government and the Greek people are willing to implement these measures," he said.

The property proposed for privatization includes regional airports, state-run companies, and also facilities that have been idle since the 2004 Olympics in Athens. The Greek government has said that it is willing to lease — but not sell — land to private companies. Public-employee unions are exerting enormous pressure on the government not to privatize. Smaghi notes that if these public-employee salaries had simply been limited to the rate of inflation, the Greek public debt would be 30 percent less than it is now.

Large numbers of Greeks are continuing the demonstrations in Athens and other major cities that began two weeks ago, protesting the austerity plans that the country is being asked to accept as the price of another bailout. (See picture above.) The political pressure on the Socialist government of Greece is certainly intense, but the economic reality of default on public loans, dramatically higher interest rates on state-issued bonds, and a loss of confidence which would send the Greece economy into a tailspin are inescapable results without some drastic changes.

Selling publicly-owned businesses and buildings in Greece might be one approach to lowering the debt to manageable levels. Greek officials might also consider selling some of the ancient monuments and artworks of the nation as well. Collectors would be willing to pay a great deal for these exquisite items — paintings and other portable works of art. The Greek taxpayer already contributes toward the upkeep of these ancient relics, and that cost would be lifted from them.

It is not only Greece that might ease its way out of its debt crisis by selling off its assets. Selling public land to private investors would seem to be a good idea for all the nations that are currently drowning in debt — including the United States. Nearly 30 percent of the United States is owned by the federal government, over 700 million acres. This includes state governments as well. In California, for example, more than half of the state is owned by either California or the federal government. Almost 40 percent of the entire United States is owned by either the state governments or the federal government. It is possible that the sale of this land could pay off the national debt and state debts.

Even if all 700 million acres of federal lands were sold at the value of Iowa farmland, which is valued at an estimated $5,000 an acre, the money from the sale would be $3.5 trillion, or only enough to pay off one-quarter of the federal debt of $14.4 trillion. And, of course, the massive sale of federally-owned lands would push the market value of the lands lower (and the federal lands include tribal lands as well as those properties occupied by Americans with contractual rights). The federal government also derives royalties and rent from some of this land, which would be lost as well.

These statistics should tell us that the size of America's national debt — which is literally as big as the land value of the entire country (in this very rough estimate) — places us in line to follow Greece as an economic basket case in the not-so-distant future. And, as with Greece, the time to act on that debt is not today. It was yesterday.

Photo: Protesters crash with riot police outside the Greek Parliament during a demonstration by the Panhellenic Federation of Workers Association (POE-OTA) on May 18, 2011: AP Images