Steve Savas: Father of Privatization - Greek Reform Godfather?

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E.S. (Steve) Savas has scaled the heights of the worlds of business, academia and government in the United States. He worked for IBM, New York City’s Mayor John Lindsay and President Ronald Reagan and has taught management and public policy at Columbia University’s School of Business and at Baruch College, where he is a Presidential Scholar. The author of 15 books and more than 130 articles, the media has dubbed him the Father of Privatization, a movement at the heart of reform efforts in America and elsewhere around the world, yet he makes it clear that his Greek roots and family are at the heart of who he is. He aspired to be a nuclear physicist in his youth and has excelled in many other areas. Almost a century after the liberation of southern Greece and the birth of the Greek state, the Greeks who lived in Skopos, a small town near Constantinople, were still mired in the misery of Turkish rule. Savas’s father John was born in 1897, the year of a failed Greek revolt on the island of Crete. In between his birth and WWI the Greeks feared for their lives and sought to escape. He would have been a sophomore in High School when the Balkan Wars broke out in 1912, and while
school had become impossible long before, his biography indicates he would have excelled there. John was part of a group of migrant farm workers, but they were not pickers of olives or wheat gatherers but a team of expert cheesemakers who travelled to Greece, Turkey, Bulgaria and as far as Romania.

Savas’ mother, Helen, one of seven daughters, managed to go to school until 4th grade but with a Turkish knife literally at her throat, her family had to leave. In 1916 her father was told Turkish forces were going to make a sweep of the area and he prepared his family to leave. Gold coins were sewn into the lining of their coats, reminiscent of a scene from Elia Kazan’s movie Amerika Amerika. The Turks came next day, and demanded money. When Savas’ grandfather denied having any, one of them took knife to his mother’s throat and barked: “Give us your money or we’ll slit their throats one by one starting with this one.” The Turks slashed the coats and his mother told him how there were little piles of gold coins at the feet of the seven girls. She came to U.S. in 1922. His father came earlier. He arrived in America on Christmas Day 1913 on the S.S. Athenian, along with two of his cousins, Aristotle and Demosthenes Savas, who went on to Chicago and whom Professor Savas first met when he studied at the University of Chicago.

TNH/COSTAS BEJ
For Dr. E.S. Savas, working in business, government and academia has made the benefits of privatization very clear.

His parents were introduced in a classic Greek proxenio – arranged marriage. His mother lived at 108th Street and Columbus Avenue, near the church of St. Gerasimos, and moved to Washington Heights when she got married. Savas’ father owned a grocery store on 163rd Street off
Amsterdam Avenue, near where a small but hardy group of Greeks remain to this day – on the other side of Broadway. He and his older sister Despina worked there, weekends and after school. Savas is a product of the then-excellent New York public school system. At George Washington High, where he was Valedictorian, he was preceded a couple of years earlier by Henry Kissinger, who became the U.S. Secretary of State. Savas liked math and science in high school, hence his interest in Physics. He was accepted to a number of fine schools but like many immigrants, his parents were not in a position to guide him. He dreamed of going to California Institute of Technology, but his high school physics teacher, who was not Greek - advised him to go to the University of Chicago to get a liberal arts education first, then go to graduate school for science. It was a choice that served him well when his career path shifted. Ironically, other than a couple of required courses, he did not ever study economics, political science or public administration, but he earned Bachelor’s and Master’s Degrees in Chemistry. He was drafted and served in the Korean War, in the chemical corps at a time when there was a real fear of chemical warfare.

He returned to New York and earned his Ph.D. in Chemistry at Columbia, which yielded numerous opportunities at American industrial giants. IBM was in the mix because Dr. Savas’ wife worked at Columbia, where its Watson Laboratory was located. He and his wife Helen, whose family is from the island of Mytiline met in high school from Mytilene. They have two sons Jonathan and Stephen.

Helen told him IBM was looking for chemists to do something new, computer controlled industrial processing. He ended up writing the first book on the subject for McGraw Hill in 1965, although he was not an engineer. That was perhaps the first time when Savas’ analytical mind, which he had trained for a career in science, was nudged in another direction, his gift for grasping complex processes eventually to be applied to the tasks and challenges of management and government. Why IBM? “It seemed like an interesting thing,” adding that it attracted his intellectual curiosity and maybe he liked the chance to “move away from the molecular level of life to a larger scale.”

His career took the turn that would come to dominate his life when IBM underwent a profound strategic change. Management decided the company needed more scientists in its sales force and fewer business majors because the customers were getting smarter and technologically and the salesmen had to be able to communicate on a higher level. IBM placed him in the office of the Vice President of Personnel and put him in charge of recruiting engineers, scientists and systems engineers for IBM field offices. The demand was partly generated by the needs of the defense research that was triggered by the space race and arms race with the USSR. He oversaw the recruiting process and the development of the information system to track it.
CONVENIENT HAPPENSTANCE

Success led to promotion, and the choice to join the urban systems group, which was addressing the cutting edge question of how to apply modern computer technology to urban problems, but chance and breaks played a role in moving Savas into worlds he never imagined. Lindsay had been elected at a time when social and economic problems spawned the perception that cities like New York had become ungovernable. Lindsay wanted to bring in management science and other tools from the business world and his colleagues began to look for new talent. Savas told The National Herald: “The Deputy Mayor of New York was teaching a course at the New Schools and we began talking about our work. After a year I was recruited to be First Deputy City Administrator. Lindsay was a moderate Republican who was drifting to the left. Savas was shifting in the opposite direction. He joined the Lindsay camp when he was a liberal Democrat
from the Upper West Side of Manhattan – he liked to shock his future Reagan Administration colleagues by reminding them that Bella Abzug was his Congresswoman. Savas told TNH he entered government without any political tools or experience, “But I was brought in to do this gee whiz stuff for the Mayor.” The big event in his government career was the blizzard that crippled vast sections of New York in February 1969, similar to the Christmas blizzard of 2010. Lindsay’s reputation never recovered, but he immediately assigned people to determine what went wrong with the City’s response.

Savas was one of the leaders of the effort, which led to a major study. The city’s snow plan was completely revised, but he began to have ideas that went beyond that incident. He realized that even during a severe emergency, the Department of Sanitation was only working 50% of the time. Half the workers’ time was devoted to coffee, washup, warmup and fueling breaks. He wondered what was going on when there wasn’t a crisis, so he did a study comparing the city’s activities to private carting companies and found the latter were more efficient and cheaper by far. Like the good scientist he was trained to be, he recommended an experiment. He wanted to hire private carters for some parts of the city for a rigorous comparison, but the unions went berserk. Then Lindsay decided to become a Democrat and run for President, Savas had enough with city government. It was time for something new.

A REAGAN GUY

He told TNH a number of universities became interested because he was the first to direct a management science unit in any city in America. Savas returned to Columbia, to its School of Business, were he became a Professor. He secured large grants to undertake the first major study comparing public and private solid waste disposal. He made a big splash because in many cities and towns city councils are not full-time public servants. “They are businessmen who like the notion of efficiency in government,” he said. That was the beginning of his research on privatization, which eventually landed him on lists of the all-time great contributors to public service in history, and visit to the Oval Office in Washington, D.C. In 1980, seven months before the Presidential election, Savas was contacted by a Reagan campaign official who came across his work, and a day after the election he was asked to join an urban affairs task force. He was appointed by President Reagan to be Assistant Secretary U.S. Department of Housing and Urban Development. He was confirmed by the U.S. Senate and served from 1981-1983. He told TNH he was proud to have worked with Reagan. He saw him frequently, but was in the Oval Office just once, though he did attend numerous cabinet council meetings. He told the story of a Cabinet Council meeting (a subset of the presidential cabinet) the day Reagan returned after the attempt to assassinate him. Savas recalled that Dick Schweiker, Secretary of Health and Humans Services, was making a complex presentation on reforming Social Security that everyone had trouble grasping. At one point Reagan said, “Dick, excuse me, do you mind if I interrupt you?” Reagan continued: “What would be the effect of this proposal for a widow with a 16-year-old child?

Savas had his turn at persuading the Great Communicator. Savas argued that it did not make sense for government to build more public housing, and that it should switch to a voucher system. He had the backing of HHS but Dick Stockman, the powerful Director of Office of Management and Budget, disagreed. They decided to appeal to Reagan himself in a battle of flip
charts. In a brilliant opening move, Stockman framed the debate by calling the vouchers “housing stamps,” knowing that Reagan hated food stamp programs from his days as Governor of California, but Reagan agreed with Savas’ proposal. Congress battled it for two years, opposed by builders and developers who were among the biggest campaign contributors of key members of Congress, but it prevailed. Vouchers remain at the heart of U.S. housing policy and Savas is also proud that he argued to make them mobile so people could follow job opportunities and not feel trapped in housing complexes.

IDEAS FOR GREECE

TNH discussed privatization with Savas in the context of the Greek economic crisis. He said he believes, “Privatization is a very powerful tool that can be used right now in Greece. They suffer from a Soviet-style mentality in terms of the excessive role of the state in the national economy. Other nations, former eastern bloc nations, are moving away from that pattern and Greece should have been moving much more aggressively in that direction.” He said the main idea behind his thinking is that there are many functions that government should not be doing. More aggressive than most analysts on the issue, he said, “There are relatively few things that cannot be done by the private sector under correct competitive conditions.” Critics agree in principle, but have doubts about how broadly countries can realize those conditions, including countries that could most benefit from privatization, such as Greece. Savas says “The whole point of privatization is to get the economy into the hands of entrepreneurs, businessmen who can provide good services and products at a fair price.”

TNH/COSTAS BEJ

During his visit to TNH headquarters in NY, Dr. Savas discusses the the merits of privatization and the challenges facing Greece and the U.S. with his former student at Columbia Publisher-Editor Antonis Diamataris.

He has met many times over the years with Greek officials and business leaders and says they finally seem to be more open to privatization. Savas spoke recently at the Constantinos Karamanlis Institute for Democracy through a joint invitation from the U.S. embassy in Athens.
The thrust of his presentation was to reduce the role of government, explaining the way it interferes with the effective running of the economy. He argued against “the absurd licensing restrictions in certain professions such as pharmacists and truck drivers.” Savas also weighed in on the public employee pension costs that threaten the finances of so many American states and other countries. He stated bluntly that the problem is that, “The public employee unions exercise monopoly control and they are exploiting the public. Governors (Andrew) Cuomo (N.Y.) and (Chris) Cristie (N.J.) and (N.Y.) Mayor (Michael) Bloomberg have recognized that “There has been an enormous rip-off by the public employees, particularly policemen and firemen getting outrageous pensions,” he said, though he said he believes in fair pensions for them. “The balance has tilted too far in their favor,” and he said public employees unions have been using public money to buy votes during election campaigns.

He quoted Margaret Thatcher, who said, “The problem with socialism is that you eventually run out of other people’s money.” Interwoven with Savas’ discussion about his life, ideas and work were expressions of pride in his Hellenic heritage. He said that one of his proudest moments was to have served as Master of Ceremonies for Greek Letters Day. He also is a great admirer of Archbishop Iakovos, “Who transformed a minor, immigrant religion into a national American religion.”

He explains there are several different forms privatization can take, such as selling off state owned enterprises. Though he acknowledges that “Russia is going about it in a crooked manner, he feels strongly government should not be in certain businesses such as telephone and even postal services – he said Germany has successfully privatized the Deutsche Post.

Another form is contracting out, outsourcing. “Many municipal functions are best done that way – bus operations, for example, has been outsourced in Denmark, parts of the U.S and South America. Done properly under competitive conditions, the services such as solid waste removal, street repair, etc. are provided more effectively and at lower cost. The best thing government can do is break up unnecessary public monopolies and introduce competition.” Savas told TNH that many studies have shown that outsourcing of common municipal and state services save about 30% with same quality and level of service. “Americans deserve those savings,” he declared. But he said the dealings must be transparent. “Without it, the public will have no confidence in what is done. If there are sweetheart deals through corruption, bribery and extortion,” it won’t be accepted, he said. “The key is to introduce competition into the process,” but noted, “The biggest problem is poorly managing the privatization process, failing to write good specifications and failing to enforce performance specifications.” He added, “When government contracts out services they must monitor contractor performance.”