



## Austerity Measures: Greek Entitlement Mentality Faces Reality

Prime Minister George Papandreou has just barely survived a vote of confidence, 155-145, and now faces two austerity bills that must pass this week in order for his country to receive the balance of the first bailout from last year, or even to be considered for the next one needed to keep the country afloat after July. He noted at the start of negotiations, "Voting for the medium-term plan means we can close this chapter of uncertainty for the Greek people. From the brink of catastrophe we are securing ... the great opportunity to change our country."



Part of his austerity plan, as a condition for receiving the additional aid, includes higher taxes on restaurants and bars, higher taxes on heating oil, and lowering the tax-free threshold from \$17,150 a year to \$11,440. The net effect of the measures, if passed, would effectively raise taxes on the average family by about one month's income per year. But it would have precious little impact on those most able to pay.

The wealthy live in the northern suburbs of Athens, the best known of which is Kifissia. Home to many of the country's richest families, Kifissia is the terminal of the Athens Metro, a state-of-the-art underground rail system built with funds provided by the European Union (approximately \$2.5 billion). This was constructed to help resolve the notoriously difficult traffic problems just in time for the 2004 Olympics. Kifissia is noted for its high-end shops, elegant cafes, and automobile dealerships offering Porsches and Ferraris. It is also noted for the high number of residents who pay [no tax at all](#).

Under the tax laws, the wealthy are allowed to estimate their own earnings for tax purposes, and they take maximum advantage of the opportunity to minimize their liabilities. For example, Greece is home to 12 million people, but only about 5,000 admit to earning more than \$150,000 a year. Wealth studies show that more than 60,000 Greek homes are valued in excess of \$1.6 million, causing one wag to suggest that Greece is a "poor country full of rich people."

Tax law "opportunities" are also available for the middle class. Many residents claim that their incomes fall below the \$17,150 tax free threshold despite substantial evidence to the contrary. In the event anyone questions the matter, tax agents are bribed with a "fakelaki" — an envelope stuffed with about \$3,200 — which makes the matter go away.

There are other ways Greeks milk the system. Greek pastry chefs, radio announcers, hairdressers, and masseurs working in steam baths are among the workers in more than 600 professions who are allowed to retire at age 50 with a state-provided pension of 95 percent of their last working year's income — all on account of the "arduous and perilous" nature of their work. The workers on the rail system also enjoy outrageous benefits: The average salary for cleaners and track workers approaches \$100,000 a



Written by [Bob Adelman](#) on June 28, 2011

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year, three times the average private-sector employee's income.

One of Papandreou's strategies is to enforce the tax system much more rigorously, which currently allows an estimated \$65 billion in government revenues to escape. His enforcers are using, among other measures, snooping helicopters and Google Earth to determine who has a swimming pool — an indicator of significant wealth. At present, just 300 residents in Kifissia admit to owning a pool, although a more accurate number is in excess of 20,000. In response to these measures, the market for pool covers has virtually exploded. The most popular is a khaki military mesh that hides the pool and makes it look, to snooping helicopters and Google Earth, like just natural ground cover.

Another strategy is setting up a "tattle-tale" hotline that rewards individuals who inform on their tax-dodging neighbors. Already, nearly 100 doctors with high incomes were publicly "named and shamed" after being found guilty of tax evasion. This is part of the plan to "spare no effort to collect what is due to the state," according to Evangelos Venizelos, the Greek Finance Minister. "We promise to draft and apply a new and honest tax system ... so that taxes are duly paid by those who should pay. "

More than 5,000 military police have been called up to neutralize any excessive violence that might erupt following the expected passage of the austerity measures. They are there to counter threats from such people as Dimitra Oikonomou, a 50-year-old schoolteacher, who said, "We are determined to stop this plan from passing and if it does pass, we will continue our efforts. The government might not listen to us now, but in the end they will hear it all at once. "

All of which puts into stark relief the inevitable conflict between a people that has enjoyed living beyond their means with other people's money and a government that has succumbed to the siren song of trading national sovereignty for a mess of pottage, and now must pay the bill. The effort to create a super-state out of 17 disparate European nations is facing this as an inevitable challenge. The tinder box of Greek resistance to the super-state is worth watching closely as it just may be a harbinger for similar scenes in the United States as resistance to Leviathan continues to grow here.



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